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# ***Daily Report***

## ***Supplement***

# **East Europe**

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# East Europe SUPPLEMENT

JPRS-EER-93-053-S

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10 June 1993

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**\* Defense Minister Aleksandrov on European Security**

93BA1013B Sofia BULGARSKA ARMIYA in Bulgarian  
27 Apr 93 pp 1, 3

[Lecture by Valentin Aleksandrov, minister of defense: "Actual Problems of European Security and the Role of the Danube Countries"]

[Text] Last 21 April, Valentin Aleksandrov, minister of defense, delivered a lecture at the Danube European Institute in Vienna, the text of which is published in this issue. The lecture was received with great interest by politicians, diplomats, military men, and representatives of business circles. The ideas presented in it were discussed in the course of the talks which took place in the course of the visit by a Bulgarian military delegation to the Austrian Federal Ministry of Defense, Ministry of Foreign Affairs, and parliament.

Serious attention was paid to the lecture by the Austrian mass media. In its 23 April issue, the newspaper WIENER ZEITUNG published a long summary of the lecture entitled, "Dangerous Vacuum in the Danube Area. The Bulgarian Minister of Defense Warns of Growing Instability."

The concepts and ideas included in the lecture delivered by Defense Minister Valentin Aleksandrov were presented not as the official political line but as the views of a historian, political expert, and European philosopher.

It is no accident that some political experts with a feeling for history compare the year 1989 to 1848, which was described by its contemporaries as "insane." It was precisely then, however, that Western Europe definitively took the path of democracy. The feudal vestiges, although ratified by the Vienna Congress, rapidly vanished and became a memory, and the rights of man assumed their proper place slowly but firmly.

The revolutionary explosion of anti-communism brought down the Berlin Wall and tore down the "Iron Curtain" which the great powers had erected in Potsdam in 1945. Initially, the consequences seemed not to have been properly assessed. However, time and centrifugal forces and events, the political crisis, and, finally, the threat to the national security of a number of countries from the former Warsaw Pact deserve if not a comprehensive analysis at least some thoughts on such matters.

An essential fact that emerges here is that along with the breakdown of the Warsaw Pact there was a breakdown of the structures of the Versailles system, which were able to withstand even the powerful shocks of May 1945. Yugoslavia, which was the pillar of the Small Entente, vanished from the map of Europe. Czechoslovakia, the social display window of the Versailles system split into two sections "gently", yet categorically. The breakdown of the powerful Soviet Union returned the borders of Russia to those of Peter the Great's time.

Given these circumstances, it is difficult to make a categorical prognosis regarding the future. However, the historical trends which are taking shape, although still unclear, lead to certain conclusions.

In his time, Bismarck said that "the ruler of Bohemia (Czechia) is also the ruler of Europe." Today this assertion by the great statesman is obviously invalid. The Franco-German alliance and the existence of NATO not only guarantee the safety of Western Europe but also clearly separate the security from the unstable zones, a line which more or less follows that of the torn Iron Curtain.

Against the background of the conflicts in Yugoslavia, the events in Danubian Europe are drawing the growing attention of the people and creating the a feeling similar to that of a reader who would closely analyze the book by Stephan Zweig "The World Yesterday." As was the case 89 years ago, the assassination of the Austro-Hungarian Crown Prince Franz-Ferdinand von Hapsburg d'Este blew up European peace, and the "world of yesterday" disappeared, in the same way that now developments in that same part of Europe raise more unclear questions than clear answers relative, above all, to the foreign and military policies of the states along the Danube Basin.

From the geostrategic viewpoint, the objects of analysis could be divided into two groups: former and present great powers that have been ruling this area for more than 200 years, from the height of their greatness, typically expressed in the "gentleman's" agreement between the Russian Empress Catherine the Great and the Austrian Emperor Josef II, according to which the zones of influence are along the Skopje parallel.

Now, however, the situation has radically changed, for the Austrian Empire no longer exists and the Russian Empire is not what it was. The new Danube countries of Slovakia, Croatia, and Slovenia, neutral Austria, and Hungary, Romania, and Bulgaria form a geopolitical conglomerate the activities of which, particularly in the security area, demand (require) urgent coordination. This may sound heretical but it is true.

What are the reasons for this?

On the one hand, the obvious impossibility for the European structures to restore peace in former Yugoslavia and guarantee the safety of the countries along the Danube Basin. On the other, the lack of clearly expressed specific interests in the problems of the area by the great powers.

What am I referring to?

With the creation of independent Ukraine, Russia strategically loses the area which was the main objective of the foreign and military policies of that country for more than 300 years. History alone will show the fate of independent Ukraine and whether that country will become a permanent factor of average size in that part of Europe. This makes it necessary for us to follow closely

and with hope the situation in that area and not to forget that in the foreseeable future, against the background of the continuing crisis in Russia, the influence of the East on the Danube area must not be overestimated.

It is as though the new center of influence—United Germany—is unwilling to assume its role of great power, as it was until 1914. It thus allows the erosion of the historical ties which linked generations of intellectuals and military from the Danube area to Central Europe. At present it is difficult to say whether this is due to the change of generations in politics or the lack of a historical feeling. The fact, however, is obvious. Without underestimating constitutional-legal restrictions which burden United Germany, it obviously lacks the courage to proclaim its responsibility for the area despite its expressed sympathy for Croatia and Slovenia and its financial-economic commitment to Hungary.

The tremendous moral assistance and material support provided by the United States in the rejection of communism in the Danube Basin countries are indisputable. The merit of the United States in tearing down the Iron Curtain will be properly noted by history. At the same time, however, the withdrawal of the Soviet Union as a leading military power and the factual disappearance of the so-called "European theater of military operations" have obviously influenced the center of power in Washington. This is directly confirmed by the trend toward reducing U.S. military presence in Europe. At the same time, a number of studies and assessments by leading U.S. specialists have indicated that the main interest of the United States is focused on the Pacific area. It is clear that the "economic warfare" with the developed Asian economic giants is drawing the attention of U.S. leaders more than are the remnants of the former Soviet empire. Naturally, moral support is good but a material presence is even better. That is why the overall U.S. strategy in that area gives grounds for a certain pessimism.

It looks as though Great Britain is returning to its position of "splendid isolation," which brought it tranquillity but not glory. The activism of France is noteworthy but its specific presence is lacking. This makes the strategic vacuum along the lower Danube a fact, against the background of which nationalistic, separatist, and extremist trends could prevail over the principles of democracy, and carry the development of events to a critical point, the consequences of which could be as dangerous as the assassination in Sarajevo in 1914.

Is there a solution to this situation?

This is a very complex issue that cannot be resolved exclusively with the efforts of any one of the individual participants in these events. The time has come to consider and analyze, from the viewpoint of the new realities, several models for regulating military and political relations among countries in the Danube area that has been analyzed by Aurel Popovici, adviser to the Grand Duke Franz Ferdinand, Winston Churchill, and Dr. Otto von Hapsburg.

Danubian Europe is a specific part of the European continent with borders that, to a certain extent, remind us of those of the Austro-Hungarian Empire. This would probably trigger negative reactions on the part of the pan-Slavists or the nationalistic communities in the newly-founded countries located between Germany and the Danube River delta. However, it is hardly possible to dispute the fact that the interests and actual closeness existing among Bulgaria, Romania, Hungary, Croatia, Slovenia, Austria, and Slovakia have specific and historically based roots, without violating the interests or sympathies toward other countries on either side of the Danube. And since real politics does not tolerate a vacuum, perhaps the time has come to intensify direct relations among the military departments and general staffs of these countries and make decisions based on the evaluation of the situation in the area. Finally, the use of the competent view expressed by NATO and the Western European Union, as well as the cooperation of these countries within the framework of the Conference on Security and Cooperation in Europe for the definitive resolution of vitally important problems of the area, and for a collective view, is always preferable, while under stressful situations such as today's, nationalism is the worst counselor.

#### **\* Presidential Adviser Rejects Calls For Resignation**

93BA1013A Sofia TRUD in Bulgarian  
28 Apr 93 pp 1, 5

[Interview with General Stoyan Andreev, adviser to the president on national security affairs, by Valeriya Veleva; place unknown, 26 April 1993: "Those Who Want Me To Resign Are Trying To Create a Conflict Between Me and the President"]

[Text] Bulgarian Air Force General Stoyan Andreev, who also is a physicist and a mathematician, and who defended his doctoral dissertation at the Warsaw Military-Technical Academy, has written works on specific topics on the situation in the Balkans, accepted in Washington, Vienna, and Stockholm. He worked for 11 years on the border and installed the first radar system in Bulgaria. Later he headed the military scientific research institute. He is a former deputy chairman of the BAN [Bulgarian Academy of Sciences] and, for the past three years has advised the president. He is in contact with scientists and military people the world over. He is very familiar with U.S. higher policy. He believes that the oath of loyalty to the homeland is the highest ideal and does not negate it.

[Veleva] General Andreev, considering the new situation in the Balkans and any eventual military interference of the United Nations and NATO in the Yugoslavian conflict, will Bulgaria continue to hold a position of active neutrality?

[Andreev] I believe that Bulgaria must continue to maintain its status of active neutrality. However, the concept of "active neutrality" must be defined.

In supporting the position expressed by President Dr. Zhelev of direct nonparticipation of Bulgarian troops in the war in Yugoslavia, active neutrality assumes dynamic dimensions. It functioned properly one year ago, when Europe, the U.S., and Russia had different views and the need to apply military measures to stop the war did not exist, and when there were great hopes regarding the influence of political, economic, and embargo sanctions.

Now, under the new circumstances, when all European countries have expressed their readiness to participate in the use of military steps to be taken by the United Nations, while we merely keep repeating that we are pursuing a policy of neutrality, in practical terms this means Bulgaria's self-isolation from the world.

[Veleva] Under such circumstances is it not necessary for any statement by a politician, a minister, the prime minister, and even the head of state to be coordinated and considered in advance? You, the advisers, are there precisely for that purpose.

[Andreev] I believe that in our country there is insufficient information. The governmental institutions owe this to the public. Bulgaria is now a country in which there is no coordinated policy team, not to mention a state team or even a public association. This is a paradox! Precisely when the country has a tremendous need for the study of political, and strategic problems it lacks such structures. Who is to be blamed for this? Even now, when NATO institutes are offering us the means to conduct joint studies of the situation in the Balkans, we have no partner to represent us. Is this normal?

[Veleva] Therefore who must assume responsibility for the analysis and suggestions for the resolution of such issues?

[Andreev] There are individual departmental specialists: in the president's office and the Council of Ministers, and some experts within the commissions of the National Assembly. Nor have we resolved the issue of having a close coordination of information and even of ideas among state institutions. The fact that there is still a delay in passing the law on the National Security Consultative Council is a calamity for our country! This is because if by law all state leaderships are ordered to meet at least once a month and to consider jointly the problems of national security they would at least know who is thinking what, what information is available, what is being suggested. Therefore, coordinated steps will be taken on a national scale.

[Veleva] You recently returned from Turkey, where you held information meetings on high state and military levels. What is the role played currently by Turkey in ensuring our national security?

[Andreev] Turkey occupies a very restless area. Virtually its entire border is with countries with an unstable political climate, and the trend is that over the next 10 years or so for this tension will increase. Turkey has wise politicians who know very well that they must have at least one side of the border that is extremely stable and at least one country, such as Bulgaria, that holds a central position in the Balkans, and with which it shares strategically mutual interests. This is a new reality which must be understood by our people and must begin to prevail over political passions and the mental inertia inherited from the past.

[Veleva] Does this put Bulgaria in a new light in terms of its other neighbors?

[Andreev] Yes. Bulgaria is beginning to assume a strong position in the Balkans, a position which is valued by Greece and the other Balkan countries. Ever since Bulgaria began firmly to improve its relations with Turkey, relations with Greece have developed well. What is most amazing is that disagreements between Greece and Turkey have also begun to diminish. That which NATO was unable to accomplish effectively in decades is now beginning to be implemented under the influence of our constructive participation in Balkan political life. In that sense, there are a number of serious considerations by the NATO leadership for granting Bulgaria NATO membership faster, and I obtained assurances that Turkey will support our candidacy.

[Veleva] General Andreev, lately, for a variety of reasons, there have been calls for your resignation.

[Andreev] Yes, anonymously, behind my back. I learned that "sources close to the presidency" would like me to resign. To me anonymous is the equivalent of dirty. If someone has the courage to present his serious considerations I would accept that. Let me tell you that I have repeatedly received written reports to the effect that various groups have sentenced me to death and that I should leave the president as soon as possible, for I am obstructing some forces intent on pursuing a different policy.

[Veleva] For quite some time there has been surreptitious talk about war among the presidential advisers. In NEDELYA 150 Mr. Ivaylo Trifonov criticized you on the subject of your statement to 24 CHASA.

[Andreev] Despite the great respect I have for the newspaper 24 CHASA, for several months I have neither met with nor talked to its journalists. I have not made any such statement. I do not know who is its anonymous author. However, it raised several questions in me: Why was it fabricated and published precisely on the Saturday when the president was returning from the U.S.? Why did it occur without anyone asking me whether I had said this and attacked me on the radio the very next day? Was this a knife in the back? Several months ago, another presidential adviser was ascribed an act he had nothing to do with. It was once again in NEDELYA 150 that he was very sharply accused. It later became clear that he

was innocent. However, the blow had been dealt! The efficacy of this system of striking has already been tested!

[Veleva] Who is interested in besmirching presidential advisers?

[Andreev] I will not comment on this. The goal is long range.

[Veleva] Nonetheless, the statement by the president triggered a sharp reaction both in our country and abroad....

[Andreev] It triggered a broad anti-Bulgarian policy and a criticism of the Bulgarian president, coordinated and synchronized within and outside the country. Radio Khristo Botev invited me, in this connection, to present my idea of the new situation in the Balkans. I do not know which one of my statements was viewed as irresponsible.

When the minister of defense suggested to the Council of Ministers that a Bulgarian Army general should be dismissed I was in a hospital undergoing treatment. However, authorship of this announcement in your newspaper was ascribed to me.

[Veleva] General Andreev, do you have the trust of President Dr. Zhelev?

[Andreev] I have not felt on his part any loss of trust or worsening of relations. However, whoever is trying to

promote my resignation could achieve precisely this: a cooling off or a clash between me and the president.

[Veleva] If you are forced to resign, will you feel insulted as you leave this building or be willing to fight?

[Andreev] I would not leave feeling insulted. I participated in the reform of the Armed Forces, the security organs, and the state on the basis of my experience and knowledge and my international and domestic contacts. Based on the ideas of democracy, I brought in a number of specialists and set them to work on strengthening the reputation of the new Bulgaria. I surmounted major risks and now I am experiencing tremendous difficulties but within myself I am satisfied.

I set my relations with people on a very high ethical standard and I cannot accept that differences of opinion could be used tendentiously for hitting someone improperly. I am repelled by intrigue makers, careerists, and, above all, those who would like to use the state to their own advantage. I hate such people. I fight them mercilessly. On that issue, I know that the number of my enemies is great but I shall do everything possible to block their effort to plunder the state.

If I were to withdraw from active state work, I would dedicate myself to science, and one day I shall describe our times to my people. I would like to tell the younger generation what it should not do if it wants to be happy.



**\* Dyba Presents 1992-93 Economic Progress Report**

93CH0653A Prague HOSPODARSKE NOVINY in Czech 12 May 93 pp 11-12

[Article by Karel Dyba, minister of economics: "Czech Economic Results for 1992 and the Beginning of 1993"]

[Text] *At the end of April, the Parliamentary Assembly spent two days discussing the status of the national economy. The basis for its negotiations was a report presented in the name of the government by Karel Dyba, minister of economics. The full text of his explanation is presented below.*

The short-term image of the efficiency of the economy is determined by a number of facts that do not depend upon the will of the government. That must be said because the notion that it is primarily the government that is "responsible" for the results of the economy is far too prevalent an anachronism.

But let us, for example, consider the fact that the present status is determined by the previous long years of economic development. A typical example here is the infrastructure: Highways, telecommunications, railroads, the housing inventory, and so forth cannot be changed by waving a magic wand immediately. It is also a matter of examples of conduct involving economic entities that are also codetermined by the past and cannot be changed suddenly.

Furthermore—and this is very important—under conditions that prevail in an open economy such as ours, there is a strong determining factor based on external conditions. In other words, we have absolutely no control over developments of the economy throughout the world, be it in Russia, the Western countries, or Slovakia, and, if those countries are subject to economic disintegration, recession, or crisis, that inevitably exerts a strong influence on the efficiency of the Czech economy through foreign trade.

Finally, it is necessary to know that the statistical reflection of reality in an economy that is transforming itself is necessarily characterized by the problematic ability of statistical data to tell the story. We can obtain a more accurate picture of economic development only after a deeper study of various types of data and an investigation of their mutual consistency. As long as we do not do so, we remain at the surface of manifestations and will make mistakes even in economic policy.

**Internal and External Conditions of Economic Development**

As is well known, from the standpoint of internal conditions during the second half of the past year, the gradual division of the common state exerted an unfavorable influence on the progress of the transformation and was independent of our will. The principal attention of the government was necessarily devoted to preparing and concluding agreements between the Czech and the

Slovak Republics so as to minimize the economic expenses connected with dividing the federation.

From the standpoint of external conditions, it was expected in 1992 that the renewal of economic growth in developed market economies would help maintain and improve the export efficiency of the Czech economy.

However, those expectations were not fulfilled, and there was no more specific boom. That resulted in an exacerbation of the conditions for access of our exports to those markets.

Also, the continuing disintegration of the markets of the former CEMA countries had an unfavorable influence on the economy, against all expectations.

**Principal Directions and Goals of Economic Policy**

The principal goal of economic policy in 1992 was the maintenance and strengthening of macroeconomic stability while at the same time easing restrictive policy.

In fiscal policy, the fundamental goal was to maintain balanced public budgets through the control of the expenditure side in its dependence upon the development of revenues. Within the framework of the transformation action ascribed to the budgets, expenditures were cut to the benefit of the enterprise sphere, while public expenditures for capital improvement and the transfer of resources to the population increased. Resources in support of business activities were made available particularly in the area of small business and exports.

Today, monetary policy is in the hands of the totally independent Czech National Bank. It is necessary to stress that fact a lot and to realize that that involves a fundamental difference in comparison with the situation of a centrally planned economy. The government considers the independence of the Czech National Bank and the autonomy of monetary policy to be an essential pillar of healthy economic development. On the other hand, it would welcome it if monetary policy in 1992 had been more flexible and if the banking sector as a whole would pay more attention to the special situation resulting from the current transformation process in the Czech economy and demonstrate a greater willingness to share in the expenditures of the current transformation process. The government believes that, even given a greater willingness of the banking sector to meet the business sector halfway—for example, in granting credits and improving the quality of banking services—it would be possible to stabilize the domestic and external purchasing power of the currency.

In the area of external relationships, it was a priority of budgetary as well as monetary policy to support a stabilized foreign exchange rate for the koruna in terms of freely convertible currencies. For that purpose, it was necessary to maintain a controllable level of foreign debt so that the capabilities of the economy to manage its external obligations would not be exceeded. Another goal was the achievement of a certain level of assets in

the current account of the balance of payments in convertible currencies as well as strengthening the foreign exchange reserves.

Wage policy primarily set as its goal to see to it that wage development per se did not become an inflationary impulse. On a temporary basis, use was made of a system of wage regulation that was gradually relaxed during the course of the year.

At the microeconomic level, the realization of a fundamental systems step continued—the privatization of state ownership. Together with the development of market relationships, privatization is considered to be the principal prerequisite for fundamental changes in the conduct of the enterprise sphere and, thus, also in terms of its speedier adaptation and freeing up of production resources that continue to be unnecessarily tied up in inefficient production processes. It is primarily through that means that it is possible to achieve effective structural changes in the enterprises and in the economy as a whole.

In supporting the establishment and development of small and medium-size private enterprises in the area of industry, services, and, in part, agriculture, forms and methods that conform to fundamental principles involved in the functioning of the market were used. The concept of state support was based on the proposition that the business risk be spread among the state, entrepreneurs, and monetary institutions. Support was granted primarily in the form of guarantees, and interest payments were partially compensated on the basis of acquired credits.

I remind you that, last year, new institutions were established, the goals of which are the support and development of business activities, such as:

- The Czech-Moravian Guaranty and Development Bank to support small and medium-size business undertakings.
- The Export Guaranty and Insurance Corporation (EGAP, a.s.) to support exports.
- The Agency for Foreign Investments and Development in the Czech Republic, which is oriented toward supporting the influx of foreign capital.

Agricultural policy in the Czech Republic was based on the fundamental necessity for adapting agricultural production permanently to a lower level of demand, while undertaking its deep restructuralization. The following were primarily involved:

- The assertion and support of renewal as applicable to original ownership relationships to land and other property, together with the transformation of entrepreneurial structures.
- The partial regulation of the market through the Market Regulation Fund.

The goal of regional economic policy was primarily to support the development of new activities in economically weaker regions and to facilitate the demise of those production processes that cannot hold their own under market conditions.

In foreign trade policy, it was possible to improve conditions for our foreign trade, in harmony with our intentions, particularly by concluding the Temporary Agreement Involving the Countries of the EC and the Agreement With the Countries of EFTA [European Free Trade Association].

A number of agreements were also signed to prevent dual taxation and make possible the repatriation of capital in support of foreign investments in our country.

In social policy areas, the principal task was the continuation of the program of social reform that had been initiated. The principal social payments were adjusted in line with the increase in the cost of living and wages.

As of 1 April, the parental contribution was raised from 900 korunas [Kcs] to Kcs1,200 (that is, by 33 percent) per month per child under age three who is in the full-time care of a parent.

Beginning with the June payment, pensions were increased by Kcs30 through Kcs290 per month, depending on the year the pension was granted; the average old-age pension rose by more than 8 percent. On the same date, the limits of minimum pensions were raised approximately from 11 percent—that is, Kcs1,980 for individuals and Kcs3,360 for couples (the sum includes the state equalization contribution).

In the area of employment, the system for granting support while unemployed was perfected, and considerable resources were expended for retraining and to pursue an active employment policy.

Mutual communication between the principal social partners took place at the level of tripartite negotiations.

Economic policy was striving principally to support the following difficult goals:

- Not to let the measure of inflation rise above 12-15 percent.
- To strengthen the internal convertibility of the koruna.
- To gradually halt the decline in growth efficiency by holding the level of the real domestic product in 1992, compared to 1991, within the boundaries of 3-6 percent.
- To strive to have unemployment not exceed 5-7 percent.

#### **Fundamental Trends and Results in Economic Development**

The development of the economy of the Czech Republic in 1992 was, on an overall basis, characterized by the predominance of positive trends.



Price liberalization in its realization continues to progress in terms of practices currently applied in countries of the European Community, and approximately 95 percent of all prices were fully liberalized. The measure of inflation, measured by the index of the price level increase applicable to consumer goods last year, amounted to 11.1 percent and thus did not even reach the lower limits of the originally anticipated inflation level (12-15 percent).

Domestic prices were positively influenced by the foreign exchange rate, which continued to be stabilized at the level reached after devaluation at the end of 1990 against a basket of selected currencies.

At the same time, development of the balance of payments attests to the fact that the rate of exchange of the koruna retained its proexport effect, thanks to devaluation that was accomplished in 1990.

From the standpoint of the external balance, it is of substantive importance that the current account in the balance of payments of the CSFR in 1992, in convertible currencies, ended up with a positive balance at a level of \$200 million. The deficit in the balance of trade was thus more than compensated for by a positive balance in services. For the Czech Republic, it is possible only to estimate the balance of payments for 1992, but it was certainly no worse than that for Slovakia.

The influx of foreign capital to the CSFR virtually doubled. While in 1992 it amounted to \$600 million, a year later it was already \$1.1 billion; the Czech economy fell heir to the predominant portion of approximately \$1 billion.

Favorable development affecting foreign exchange reserves in the banking system during eight months of 1992 (rising from \$3.3 billion at the beginning of the year to \$5.6 billion by 30 August) led to the decision to limit the extent of drawing foreign loans (not utilizing the third and fourth draw of the stabilization credit made available by the IMF). Beginning in September, gross foreign exchange reserves began to decline to a level of \$4.4 billion in December. As is well known, that had to do with the uncertainty caused by the division of the Republic. The growth of gross indebtedness, which began to show up at midyear, was halted in mid-December at the level of \$9.5 billion, which means that, in comparison with the end of 1991 (\$9.4 billion), there was no more substantial change in that item.

As far as the budget is concerned, the set of public budgets on the territory of the Czech Republic indicated an overall surplus of Kcs1.4 billion and, thus, significantly participated in the overall stabilization of the economy. I would remind you that the Czech Republic is the only country in the former bloc of socialist countries that has full control over its budgetary expenditures and a balanced budget. As a result of that, even a number of Western governments envy us.

Last year, the level of unemployment was stabilized at a low level. After growing in 1991, a growth that culminated in January of last year, there was a gradual decline in the number of applicants for jobs registered at labor offices (due also in part to the influence of changes in enterprises for granting unemployment assistance). At the end of 1992, the total number of unemployed amounted to 134,800, and the rate of unemployment was 2.57 percent, which, in an international context, is an extremely low level. However, as is well known, that has to do also with maintaining a certain degree of overemployment during the preprivatization period and also has its negative consequences in terms of the situation on the labor market, particularly in some regions.

The fact that 1992 was a successful period for the economy, especially in its second half, is attested to by the fact that it was possible to halt the economic decline, and, in a number of economic sectors, there was even recovery, which was synthetically reflected in the development of the aggregate supply component, measured by the volume of the gross domestic product [GDP].

Despite the fact that the GDP for 1992, according to preliminary data, declined by 7.1 percent in constant prices, in comparison with the previous year, the beginning of the second half and primarily the fourth quarter saw a halt in that decline and a gradual renewal of the growth dynamic (a real increase by 3.8 percent compared to the same quarter of 1991).

The most specific carrier of the revival of efficiency became the construction industry, in which the overall construction volume rose by 22 percent compared to 1991. The high degree of dynamics was ascribed to production in small construction enterprises, enterprises employing fewer than 25 workers (production increased by 122.7 percent), enterprises that more flexibly reacted to the demand for smaller construction projects, such as renovations, repairs, and adaptations.

As of September 1992, it was possible to halt the decline in overall industrial production, which, however, continued to be 10.6 percent lower than that for 1991 in terms of annual results. The opposite trend occurred in small enterprises employing fewer than 25 workers, whose production last year rose by 300 percent.

A certain positive change took place in the approach used by the enterprise sphere, where management made the effort (particularly during the second half) to reduce the amount of supplies on hand. In the majority of organizations, production was already focused on producing salable products, in harmony with market principles, and growing demand was covered from inventories.

I note that the decline in industrial production over the past two years was caused, for the most part, primarily by objective external influences (for example, the loss of Eastern markets), and we must not forget, in evaluating the situation, that:

a) Data on industrial production before 1990 were "inflated" for systems reasons.

b) The extent of industry in the Czech Republic was excessive.

c) For 40 years, industry functioned in a greenhouse environment provided by a closed economy.

The positive development of industrial production, particularly of construction industry production, was reflected even in the revitalization of highway freight transportation, whose output in ton-kilometers in 1992 rose by 8.7 percent compared to 1991, whereas the volume of freight in tons was higher by 5.1 percent. The transport distance connected with the growth of international truck transportation thus rose. Permanent increases were recorded in the availability and increased output in the sector of trade and services.

A characteristic of last year was the revitalization of individual components of aggregate demand, which was a determinant in terms of the above-mentioned movement on the supply side of the economy.

The demand by households during the course of 1992 continued to grow, something that was facilitated primarily by the influence of the growth of real income. I will mention that in more detail later.

The gradual specific revitalization of demand in the domestic market is documented by data on the development of retail trade, which, for 1992, increased in physical terms by 19.8 percent (nominally, by 30.6 percent) in comparison with the previous year.

What is very essential is the fact that, in 1992, there was a revival of demand for capital improvements, the interyear growth of which can be estimated at 5-10 percent in real terms. (More precise quantification is not possible in view of the methodological changes used to determine the volume of actual and billed capital improvement work done in the years 1991 and 1992.)

Demands by the public sector stagnated during the course of last year.

The halting of the declining trend in aggregate offerings was influenced, despite all problems, by an increase in exports, which grew in this period, particularly in relationship with countries having market economies. In those areas, exports amounted to approximately Kcs178.8 billion; there was a growth of approximately 20 percent in nominal terms in comparison with 1991.

That dynamic growth, however, was not sufficient to fully compensate for the decline in exports to countries not having market economies, exports that represented only Kcs50.6 billion—that is to say, a decline of 40.2 percent. Overall exports, in comparison with 1991, were lower by 1.8 percent; however, realistically speaking, if we take into account the decline in export prices, they obviously grew a little.

I would remind you that, territorially, exports today are largely oriented toward the markets of developed countries—that is, predominantly to the countries of the OECD. Despite all of the problems I mentioned in the beginning, that orientation is, in its essence, far more advantageous for the Czech Republic than was the situation before 1989.

Dynamic increases were recorded with respect to the proceeds of the tourism industry for the Czech Republic, proceeds that rose to more than \$1 billion for the year 1992 and that today represent approximately 12 percent of the income derived from the export of goods.

The private sector has become a decisive carrier of positive tendencies at the microeconomic level. The development of that sector was made possible by the continuing process of privatization and, in part, by restitution. Overall, it is possible to estimate that the private sector has accounted for a specific increase in its share of creating the GDP—that is, from 10.6 percent in 1991 to 19.5 percent last year.

The weight of the private sector in terms of output in individual branches of industry increased dynamically last year, achieving the following average share (in percent) for all of 1992:

Branch	Share, in Percent
Industrial production	14.5
Construction	46.0
Retail sales	66.1
Highway freight transportation	36.4

At the end of the year, those numbers were understandably substantially higher than at the beginning of the year.

The share of the private sector in agriculture (measured in terms of the extent of agricultural land) amounted to 9.4 percent at the end of last year.

The process of small-scale privatization entered its final phase. By the end of 1992, of an overall approximate number of units (25,401), 21,354 were privatized, with a decisive portion being sold at auction.

To an extent that is unprecedented in the world, last year saw the beginning of denationalization and the privatization of large state enterprises and corporations.

The most important form of changing ownership in the process of large-scale privatization was "coupon privatization." At the end of 1992, the first wave of that privatization was concluded, resulting in the sale of securities of 988 corporations valued at a total accounting value of Kcs212.5 billion. As soon as those corporations are turned over to the new owners, the share of the private sector in the creation of the GDP will undergo an immediate increase.

The transformation of agricultural cooperatives went on until the end of January 1993. In a number of instances, however, the key problem remains the settlement of

economic policy course and will continue to pursue that course with determination and confidence in the capabilities of the people living in this country.

**\* Minister Dlouhy Views Coming Bankruptcies**

93CH0654A Prague TELEGRAF in Czech 14 May 93  
p. 9

[Interview with Vladimir Dlouhy, Czech minister of industry and trade, by Jan T. Vavra; place and date not given: "There Should Not Be an Avalanche of Bankruptcies"]

[Text] The Law on Bankruptcy and Settlement, or the Bankruptcy Law, went into force on 22 April. In relation to the economic reform, that is another step that is necessary to ensure its success. We talked about the impact of that law on our enterprises, primarily the large ones, the vast majority of which are in the secondary stage of insolvency, as well as about other features of the economic transformation with the Czech minister of industry and trade, Vladimir Dlouhy.

[Vavra:] How will the Law on Bankruptcy and Settlement affect our economy in the near future?

[Dlouhy] In the context of continuing the economic reform and creating economic policy during the next one to two years, the Law on Bankruptcy and Settlement must clearly have a positive effect on our economy.

I do not consider the short-term aspects to be important—that is, the exact number of bankrupt enterprises, the short-term increase in unemployment, and the impact on the development of basic macroeconomic aggregates, especially industrial production and gross domestic product [GDP].

I consider the basic significance of the Law on Bankruptcy and Settlement to be the release of resources, which, at this time, are ineffectively tied up in overindebted, primarily large, industrial enterprises, which are incapable of redirecting their efforts toward long-term activities. Another important aspect is the fact that the banking sector has found a shelter for relatively large financial resources in those enterprises. I believe that, by cleaning up the economy, the Bankruptcy Law will release resources that are very necessary for the part of our economy that needs them most—that is, the private sector. My statement that, in the short term, it is not important how the bankruptcies will affect employment and the GDP is, of course, relative. It is obvious that there is a limit that must not be crossed by the short-term negative impacts. I do not believe that limit will be crossed.

[Vavra] How do you explain the fact that, at this time, when the Law on Bankruptcy and Settlement is already in effect, there have been no mass filings for bankruptcy?

[Dlouhy] I believe that it demonstrates that, in our environment, enterprises will find ways to cooperate in a

situation of mutual indebtedness. I am not saying that it will be effective cooperation; nevertheless, because there was no sharp increase in filings for bankruptcy immediately after the Bankruptcy Law went into force, the livelihood of creditors has not yet been threatened. The principles of a market economy are rooted firmly enough in the Czech Republic [CR] that, if there were a threat to their livelihood, the individual enterprises would act differently.

[Vavra] When can one expect the "avalanche" of filings for bankruptcy?

[Dlouhy] That is difficult to predict. I really do not believe there will be a significant rise in filings for bankruptcy. It is more likely that the entire process will proceed gradually.

I have never really believed in the much-discussed domino effect. As I have already mentioned, many of the links in the chain, which is meant to cause the domino effect, have so far not been dependent on the relationship between the debtor and the creditor for their livelihood. However, that certainly does not mean that we are dealing with a positive phenomenon. If the present level of insolvency, high indebtedness, and frozen bank and other assets continues, the decreased capacity of the Czech economy will merely be prolonged, and it will be much more difficult to enter the sphere of economic growth. I hope that the wave of bankruptcy will revitalize us to some specific degree. However, under no circumstances will there be such a mass wave that it will ruin the Czech economy.

[Vavra] Nevertheless, the threat of the domino effect cannot be ignored.

[Dlouhy] Certainly not. I was already skeptical about the postponement of the Law on Bankruptcy and Settlement. It is now apparent that the amendment should have been drafted and passed at the end of last year, and, had it been, we would now be further along. However, no one can be blamed for that. I was not sufficiently prepared myself at that time because the Czech Government had greater problems to deal with in relation to the breakup of the federation, the creation of a customs union, the Constitution, a new tax system, and other problems and tasks that were linked to the breakup of the federation. Thus, none of us had a clear picture of that issue.

[Vavra] What does the system of interenterprise credit and debit consist of, and what does it mean, in practice for our enterprises?

[Dlouhy] The enterprises have to do only one thing in the entire system of interenterprise credit and debit: fill out two forms. On one, they enter all their accounts receivable, naming the specific enterprises and the amounts owed by them. Then, on the other form, they enter their own debts, naming the specific enterprises and the amounts they owe to them. These data are then entered into a data base, and, within 24 hours, the system can

identify a group of enterprises that have mutual debts and credits, and, thus, a certain number of the debts and credits can be erased. I estimate that, if this operation runs smoothly, it will be possible to "erase" approximately 30 billion Kcs [Czech korunas] from the overall indebtedness of Kcs70 billion. Therefore, I believe that, if there is sufficient interest among the enterprises, the system of interenterprise credit and debit can really be a tool that will easily solve many problems. Another advantage is the speed of the processing. If an enterprise can get rid of a part of its debts within one day, that will considerably help its overall economic situation.

[Vavra] However, during the last rounds of the interenterprise credit and debts, the enterprises showed no interest in that service.

[Dlouhy] The lack of success of the credit-and-debit rounds that took place last year was, of course, caused by insufficient interest on the part of the enterprises. I believe that the reason for the lack of interest was that there was no pressure on the enterprises to take part, and they did not see how efficient that system was. During the first round of interenterprise credit and debit, the resultant effect—that is, the decrease in overall insolvency—was calculated per thousand. In the second round, there was a decrease of under 2 percent. The lack of interest on the part of the enterprises was also caused by the feeling that the service was too expensive.

[Vavra] How do you intend to ensure that the enterprises will now participate in the credit-and-debit system to a greater degree?

[Dlouhy] In contrast to the past credit-and-debit rounds, the state now has greater options to exert pressure on the enterprises. For example, joining the interenterprise credit-and-debit system can be made into a condition for the introduction of a grace period and the use of other tools. In addition, it is possible that the state will not be willing to accept operations into the grace period that do not participate in the interenterprise credit-and-debit system. Our aim is to exert pressure on the enterprises so that they will participate in the credit-and-debit system regardless of its success, and will only then request additional help. The state is willing to provide some assistance, but the enterprises must participate in the credit-and-debit system. I think that will lead to greater effectiveness of the credit-and-debit system than the past credit-and-debit rounds. In that way, the impact of the credits and debts could radically decrease the threat of the above-mentioned domino effect.

[Vavra] It is often said, especially by businessmen, that the grace period is a tool used by the state to safeguard large enterprises.

[Dlouhy] Almost all market economies have a similar tool included in their "bankruptcy" laws. For example, there is something similar in the bankruptcy law even in the United States.

That opinion is certainly partly valid, but it is a complex matter to judge the problem by the standard perspective of an already developed market economy. We are now in a transition period, and bankruptcies are beginning at a time when much that was inherited from the economic structure of the past years is still in existence and operation.

It was characterized by a high concentration of specific industries, both from the aspect of the size of enterprises and from the regional aspect. There is some danger that social problems will be concentrated in some regions, and that concentration also brings a danger that products will be eliminated that could bring longer-term comparative advantages. Nor can one ignore the impact on small and medium-sized businesses. Every concentration of production, such as, for example, the Plzen Skoda, makes an enormous amount of small and medium-sized business activity dependent on it. For instance, if the Plzen Skoda were to go bankrupt, that would have a very negative impact on the whole region, and many jobs and opportunities to transact business would totally disappear.

I admit that the grace period is a tool used by the state to safeguard large enterprises, but, at the same time, I maintain that developed market economies also use similar tools. I also believe that the grace period will deflect the need for the government to be able to eliminate the greatest social problems issuing from bankruptcy. Another reason for the grace period is so the government will be able to prevent an enterprise that obviously has a positive long-term future from going bankrupt. The example of Plzen Skoda clearly demonstrates that, in the final analysis, it is a matter of supporting small and medium-sized businesses.

However, it is clear from the overall picture that the resources at the state's disposal are far from unlimited. There are three possibilities—the creditor sues the debtor, and either the grace period is introduced and an agreement is reached out of court, or no agreement is reached and the state decides not to intervene in the suit. Then there is the third and final alternative, where no agreement is reached and the state participates in the suit in some way. However, in practice, most cases will be either the first or the second alternative.

[Vavra] In regard to which kinds of enterprises will the state be interested in participating in the suit?

[Dlouhy] Enterprises in which the state is interested, for instance, for strategic reasons, enterprises that manage the state reserves, and enterprises that supply basic energy resources such as oil, gas, electricity, and other enterprises of that kind.

#### European Community

[Vavra] The embargo on exporting meat, meat and dairy products, and live animals has now ended. Nevertheless, the conditions for export continue to be extremely stringent.

[Dlouhy] In reality, those conditions mean that the embargo is continuing. The Czech Government has already decided that some of those conditions are unacceptable and has sent a protest to Brussels.

The expenses for a 15-day quarantine and the certification of every live animal, which are the conditions of the EC, would be so high that it would not be worthwhile for our farmers to export anything.

I think that, for the first time since the change in the political system in our country, we have come face to face with reality and with how the continuing economic recession in Western Europe affects the actions of certain countries. The problem of the EC's protectionist behavior must be seen in the context of the economic difficulties and subsequent political instability. That is demonstrated, for instance, by the results of the elections in France, where there was a total change in government, the results of the elections in Spain, the uneasy political situation in Great Britain, and so forth. It is obvious that, at this time, every West European government is trying to help its own economy as much as possible, even at the cost of protectionist measures that seriously harm us.

But the situation that has evolved cannot be generalized. For example, I believe that the commissioner, Leon Brittan, rejects these trends and is doing everything to avoid similar discrimination in the future. Nevertheless, he is facing opinions and endeavors that are the exact opposite at the headquarters of the EC.

However, I would like to emphasize that the economic recession in the EC countries does not, of course, mean that we will agree to accept conditions such as those in regard to exporting our meat.

[Vavra] How will the more-or-less continuing embargo affect our farming?

[Dlouhy] Every loss of a market is always unpleasant. If it is impossible for us to export to the EC, it is highly probable that there will be a surplus of production in the CR because it will be very difficult to sell all of the products on the domestic market or find new, suitable markets.

But I would like to point out that the export of meat and live animals last year amounted to approximately 1.3 percent of our total export to the EC. That trade is not essential in regard to trading with the EC. Nevertheless, it can seriously threaten our farmers.

#### **Buy Czech**

[Vavra] Your campaign to purchase "good Czech products" caused considerable turmoil.

[Dlouhy] I am certainly glad that that campaign evoked such a response among the media because it is not always positive. I would like to emphasize that it is not a matter of copying campaigns—for example, from the United States or France. The basic difference is that, in the latter

countries, the campaigns supporting domestic goods were accompanied by measures that tried to prevent the import of goods from other countries. Naturally, we do not intend to set any limits on the terms of trade, and I would always oppose any such action.

The basic goal of the campaign is to support truly high-quality Czech goods and to draw the attention of the citizens of the CR to them. When we analyzed the situation in this country, we came to the conclusion that there is a psychological barrier here and a certain disdain for domestic production. The latter is quite naturally caused by the fact that, for 40 years, our society had no opportunity for direct confrontation with the wide-ranging supply of foreign goods. Naturally, there are foreign-made goods here that are of better quality, and there is no reason our citizens should not buy them if they have the money to do so. But there is a group of products in the CR that belong to the category of everyday consumer goods, especially in the sector of foodstuffs, where the quality of our goods is at least comparable, and often better. There is also one more point, and that is that our goods are generally cheaper.

[Vavra] What money will be used to finance projects such as advertising on Czech television?

[Dlouhy] Some of the money will, of course, come from the Ministry of Industry and Trade. However, in that connection, I intend to contact some of the large and prosperous Czech enterprises so that they will share in the financing.

Furthermore, I would like to point out that, for example, the above-mentioned television advertisements will not concentrate on any specific products by Czech companies, not even on a specific type of product. The advertisements must encourage access to Czech goods in general.

#### **Taxes**

[Vavra] In the Chamber of Delegates last week, representatives of the ODS [Civic Democratic Party] suggested a reduction, so that the calculation base for self-employed individuals will be reduced in the proposed amendment to the tax and insurance laws to 25 percent and not to 35 percent, as the government proposal assumes. What is your opinion about that issue?

[Dlouhy] I have always advocated that the calculation base for self-employed individuals be lower than it is. But one must consider the effect on the state budget, which cannot afford any significant decrease in its income at this time. Nevertheless, one must welcome this discussion, and I will certainly support the reduction.



# **\* Camouflage Uniform To Follow European Standard**

93CH0652C Prague A REPORT in Czech 16 Apr 93  
p 6

[Interview with Czech Republic Army Colonel Ladislav Schumichrast by -pan-; place and date not given: "What Is New in the Military Wardrobe; Czech Army Has New Camouflage Uniform According to European Standard"]

[Text] *We recently discussed what is new in the provision of uniforms for professional soldiers with Colonel Ladislav Schumichrast, chief of the Czech Republic Army uniform supply service. By way of introduction he emphasized:*

[Schumichrast] Our goal is to assure outfitting primarily the professional soldiers, who train daily and are putting more wear on their military dress. In regular service and training in the barracks, we use uniform 85, which we are further improving. We have already produced a new field uniform 85 with camouflage markings, matching the European standard. For now, it is being issued to our soldiers serving in the UN peacekeeping forces in Yugoslavia. Next it will be issued to members of paratroop and reconnaissance units and gradually to others, as well.

[-pan-] What are you going to do with uniform 60?

[Schumichrast] For now, we have left uniform 60 in our equipment until the stock runs out, using it particularly for field exercises and in the VVP's [military training areas], where the gear gets extremely dirty. The final date for its retirement from use has not been set. A limited quantity was released as surplus to be sold.

[-pan-] What are the rules governing the sale of components of military gear?

[Schumichrast] The decision to sell off surplus military gear, including uniforms 60, was made last year. The sale is carried out according to General Staff Order No. 39/91, including the preferential sale to professional

soldiers, civilian employees, and military retirees. We regulated that sale by setting certain quotas—for instance, several thousand items for each command headquarters, as well as the AHS/GS [expansion unknown], and a ceiling of five items of each kind per individual. When the commands exhausted their quotas, the sell-off was halted for the time being. That is because we have run into financial problems and have funds for purchasing only a limited quantity of new components for field uniform 85. We will be selling primarily uniform parts retired from ACR [Czech Republic Army] use, People's Militia leftovers, and some items of marginal sizes.

[-pan-] How soon will the uniform changeover for soldiers be completed?

[Schumichrast] A complete reequipment of the ACR with new uniforms is at this time out of the question, primarily for economic reasons. We are issuing to professional soldiers and also to regular servicemen parts of dress equipment with improved serviceability, even though at a much slower pace. We have to put off our original notion that we will this year get the products allowing for certain improvements because the funds to pay for them are not available. In regard to uniform 85, we have a certain quantity in stock, but some sizes are already missing; we will produce them as required by the units so as to assure continuous replacement. Due to the lack of funds, there will be a substantial slowdown in producing the necessary quantities of new footwear—the model 90 boot. That, too, will prevent us from meeting our target of supplying professional soldiers on a priority basis with that footwear. Now we know that the quantity of items produced will not be sufficient. They will be issued primarily to our units operating with the UN peacekeeping forces and to paratroop units. All others must wait until funding is available. It was our plan to create, as of 1 October of this year, a uniform dress kit (SVOP) for professional soldiers, similar to that for the regular servicemen, with the proviso that each professional soldier use the loaned uniform training-field gear for the entire duration of service. That will also help simplify record-keeping in regard to that equipment.

**\* EC Association Assessed by Enterprise Managers**

93CH0670C Budapest FIGYELO in Hungarian 13 May 93 p 37

[Unattributed report: "EC Association: Winners and Losers; 30 Enterprise Managers Asked"]

[Text] Despite lengthy discussions, negotiations, and "bargaining" between the EC and Hungary, Hungarian enterprise managers were seemingly unprepared for the Temporary Agreement that took effect on 1 March 1992, according to a survey sponsored by the Naumann Foundation, conducted by the MTA [Hungarian Academy of Science] Industrial and Enterprise Economic Research Institute.

As compared to the previous general preferential system (GSP), the enterprises surveyed faced "tougher," but undoubtedly more secure trading terms as a result of becoming associated with the EC. The industry branches selected for the survey provided almost one-third of Hungary's exports in 1991.

Seemingly, the Hungarian textile and clothing industry gained more as a result of association than what it had under the previous preferential system. Enterprises capable of entering the market and of delivering on orders urged a faster reduction of customs duties from the existing tariff levels. In their view, not even a bilateral, faster reduction of customs duties would increase their difficulties, because as compared to Hungarian products, textile goods originating from the EC constitute a separate category of commodities. They are calling for measures to protect the market primarily against imports from the Far East.

As a result of expanded contract work opportunities and the abolition of EC customs duties, the textile clothing industry finds itself in a substantially more favorable situation than the textile industry. Despite the fact that enterprises performing contract work in general view the association with the EC favorably, they also mention certain disadvantages. One of the most typical complaints pertains to the failure to divide profits which result from the abolition of customs duties, between the two parties. As practiced today, the firm ordering contract work does not take into consideration this advantage and treats it as a "backup" for the risks it takes.

The situation of chemical industry enterprises is made more difficult by the fact that as a result of the agreement on association they lost the benefits provided by the GSP system. Nevertheless, the survey shows that the greatest

damage is incurred by enterprises which have previously struggled with management and financial difficulties. Just like the textile industry, chemical industry enterprises also complain about a lack of measures protecting the manufacturers' domestic markets. These enterprises, too, advocate integration with the EC at a faster pace. Within that, they would like to see the abolition of EC customs duties at a faster pace, but they take no position as to whether they would agree to a weakening of the protection of their domestic markets against the EC, in exchange for reducing customs duties at a faster pace.

The production and trade of steel products in the Common Market is strictly regulated. The situation of Hungarian steel production should have been reassessed even in the absence of an association with the EC, because the majority of the enterprises was threatened by bankruptcy and liquidation proceedings when the study was prepared. The responses given by the enterprises also reflect the fact that the way their markets in the EC are going to evolve is not a primary, strategic consideration, even if these markets mean increased exports.

**\* Employee Stock Ownership Terms Improved**

93CH0670B Budapest HETI VILAGGAZDASAG in Hungarian 15 May 93 p 17

[Unattributed article: "MRP: More Favorable Credit Terms"]

[Text] Based on the law that established the Employee Stockholder Program (MRP), employees will be able to obtain credit at more favorable terms—adjusted to match the terms applicable to E-Loans—beginning on 12 May 1992. The maximum length of time available to pay off loans taken out to purchase state property offered for sale has been extended from 10 years to 15 years, and the grace period has increased from two years to three years. The requirement for MRP organizations to have their own capital remains a part of the MRP, and the amount required depends on the purchase price of the average size of the assets per participant. If this amount is less than 5 million forints, the MRP organization must have 2 percent of the purchase price per participant in the form of its own resources, just as before. If the per participant purchase price exceeds 5 million forints, the MRP organization must have in the form of its own resources 100,000 forints and 15 percent of the purchase price in excess of 5 million forints. Another provision also existed before amending the law: If the assets purchased amounted to more than 10 million forints, an MRP organization had to have 850,000 forints per participant plus 25 percent of the value of assets in excess of 10 million forints as part of its own resources.

**\* Cost of Maintaining Army in Top Form Discussed**

93EP0260B Warsaw POLSKA ZBROJNA in Polish 27 Apr 93 pp 1-2

[Interview with Jan Kuriata, deputy minister of defense for military infrastructure and armament, by Janusz Grochowski; place and date not given: "Simply Put, Army Is Expensive"]

[Text] [Grochowski] Why did it take you so long to agree to give an interview to POLSKA ZBROJNA?

[Kuriata] We were in the process of setting up our department and defining its jurisdiction, which required elaborate coordination within the Defense Ministry and other ministries. I did not want to make premature assumptions or give you only partial answers. Besides, we were under the pressure of time, given the fact that we had only two months to undergo really deep restructuring. Only now, when those problems are behind us, can we finally talk about them.

**Not Only a Change of Doorplates**

[Grochowski] Your department not only reportedly was set up in the shortest time, but also its organization is almost complete. Was it really done in such a way that the former chief directorates in the Main Quartermaster Department were simply renamed departments?

[Kuriata] Without false modesty I have to admit that indeed, thanks to the great experience and commitment of our personnel, we have set up the structure of my department rather quickly. However, we did not simply rename the old chief directorates as departments. As a matter of fact, almost all of them were subordinated to the Logistics Inspectorate—after the necessary changes in their organization and jurisdiction, of course. My department was created from the Main Technology Institute and, to a lesser degree, from the old Quartermaster services—actually, those that concerned themselves with ordering and delivering equipment, uniforms, gasoline, and, at times, food. We also took over the supply sections from other central institutions. However, I would like to emphasize that we did not simply step into the shoes of our predecessors. It was not only a change of doorplates.

[Grochowski] What has happened to the agencies that became superfluous?

[Kuriata] Some were dissolved, but the majority were integrated into the unified structure of the Defense Ministry. As a result, the present number of positions is smaller by 450, compared with those at the Main Quartermaster Department and the Technical Inspectorate before restructuring.

[Grochowski] What exactly is your department supposed to do?

[Kuriata] The name of my position is quite self-explanatory. We are responsible for the implementation of the Defense Ministry's policy regarding research and development, as well as for procuring military equipment. We are also responsible for the maintenance and development of the state's defense infrastructure. What it means, in practice, is that the General Staff defines the armed forces' requirements, having taken into account the financial resources of MON [Ministry of National Defense]. My department participates in that process. Taking the thus-created blueprint as a point of departure, we place orders in the domestic industry and abroad, then supervise the flow of military equipment and supplies to the armed forces. We are also responsible for arranging repairs of military equipment in Poland and abroad.

In addition, we program research and development of the new weapon systems and equipment in accordance with the plan of the armed forces' development. Finally, we analyze the state of the Polish Army's armament, participate in defining the principles of its maintenance in peacetime, and specify the volume of supplies that need to be amassed and stored in case of war.

The Logistics Inspectorate remains temporarily in charge of issues related to military-controlled real estate and lodgings for the troops. However, my department is ready to take over that field, as well.

[Grochowski] Do you think your department's jurisdiction may overlap with or even double that of similar departments subordinated to the General Staff?

[Kuriata] I do not think so. The jurisdiction of both branches has been clearly separated.

[Grochowski] Was it easy to work out the relationship between the two?

[Kuriata] It was not at all easy to separate our jurisdictions and work out the principles of our relationship, given the fact that we were creating new structures, not known to the Defense Ministry before. General Zalewski's activity takes place mostly within the Army. In contrast, our department deals more with agencies outside the Army. For example, we provide the Logistics Inspectorate with supplies that it, in turn, distributes within the Army. Of course, we cannot accomplish our tasks, chief of which is to satisfy the Army's needs, without close, everyday cooperation between our departments. Apart from that, only my department has groups dealing with such issues as the management of the research and development process, military technical supervision, the standardization of armament, and the disposition of surplus military equipment. There is no counterpart within the General Staff's structure.

[Grochowski] Is it a good idea to separate the quartermaster services from the Army? After all, more than one battle or even war was lost because the army's rear did not do its job properly.

[Kuriata] You have raised an important issue. There is no way that we have separated the quartermaster, the technical, and the supply services from the troops. The integrated logistics system, currently under construction, was designed in such a way as to transform it from a peacetime to a wartime status very smoothly. I would say more—the supply services have been adapted to meet the needs of modern combat.

#### **We Have Never Been Self-Sufficient**

[Grochowski] Your department has been allocated 6.4 trillion zlotys [Z] in this year's budget of the Ministry of Defense. What can you or, rather, the Army buy with that money?

[Kuriata] That money has been allocated not to me but to finance the planned deliveries for the Army. We will spend almost 40 percent of that amount to pay for fuel, uniforms, food (bought at the central level), and military research and development. The remaining Z3.8 trillion will be spent to purchase new weapons and equipment (Z3 billion worth of it from domestic manufacturers). For anyone who knows the Army's needs, that is obviously an inadequate amount, especially given the fact that more than half of that sum is needed to pay just for spare parts and the most urgent repairs of the equipment already in use.

As a result, we will be able to afford only a small quantity of new equipment and combat means of the new generation, just to keep the current training going on.

[Grochowski] In the opinion of Sejm deputies, the Polish Army should be equipped exclusively with Polish armament. Is that realistic?

[Kuriata] I fully agree with the deputies. It is feasible that Polish industry will provide 70 to 80 percent of the equipment for the Polish Army. However, one has to say frankly that never, even in times of prosperity, was that industry capable of manufacturing the whole gamut of military equipment needed by the Army. Furthermore, Poland does not have all of the technology necessary to begin the production of modern armament that would meet the standards of the 21st century.

What then do we do to have the Polish Army supplied as much as possible by Polish manufacturers? First, when we talk with potential foreign arms suppliers, we make it conditional that their products be manufactured in cooperation with Polish industry. Unfortunately, MON's budget is too small to allow a speedy and sufficient influx of modern technology in that way. Therefore, we are going to do it in stages.

[Grochowski] Is there any strategy for procuring armament for the Polish armed forces?

[Kuriata] The strategy, related to the new Polish military doctrine and international agreements to which Poland is a signatory, is based on the long-term plans of the armed forces' restructuring, drafted by the General Staff.

What is new in that strategy is that the available financial means are slated for, and the work of the research and construction teams focused on, so-called main armament programs. The purpose of that approach is to use the domestic industry and the available foreign technology most efficiently in order to design modern weapon systems and equip the Army with them in the shortest time possible.

[Grochowski] The armament industry, especially the aircraft industry, has recently impressed the public with a variety of new designs. The Okecie [Aeronautical Research Shops] has come up with the Scorpion [ground-attack aircraft]. The Transportation Equipment Plant in Mielec has designed Vector aircraft. The Stalowa Wola Steelworks has promised to produce the new combat vehicle. The Bumar-Labedy factory has announced plans to develop a third-generation tank. Are those enterprises just playing a game to suck money out of the state's pocket in order to survive in hard times?

[Kuriata] Having lost orders from the Warsaw Pact, the Polish armament factories have found themselves in an entirely new situation. They have no choice but to convert to the production of attractive civilian goods, on the one hand, and to develop new weapon systems that would meet the high requirements of both the Polish armed forces and the world market, on the other. They are in the process of establishing research and development programs so that their meager resources will be used effectively. Today, it is difficult to discuss concrete issues because the final decisions have not been made. Proposals are ready to be presented and will be the subject of discussion at the defense departmental level. How many of the proposals will pass will depend on their usefulness for the Army and, above all, on the state of the nation's treasury. That includes MON's budget.

#### **Efficiency Will Pay Off**

[Grochowski] What will happen to the repair and production industries subordinated to the Minister of Defense?

[Kuriata] Their number is supposed to be cut from 19 to 11, in accordance with the restructuring program. The Minister of Defense transferred three such shops to the jurisdiction of voivodes last year. The arms factory in Krakow is to be closed. A similar enterprise in Zurawnica has been transformed into the [military] district repair shop. Two machinery shops will be removed from MON's jurisdiction this year. Those that are going to remain under MON may constitute a sufficient industrial basis to repair armament and military equipment, in our opinion. We are going to lobby to have them given the status of national defense plants in order to make them immune to the wavering economic situation.

[Grochowski] Military construction and repair industries also exist...



[Kuriata] Sixteen such plants exist. In the present organizational state, we plan to leave only those WZRB's [military plants for construction and repair] that have proved themselves to be economically feasible and have guaranteed production output. They will be fully "civilianized." They do not employ soldiers and youth service members any more, while the number of professional officers employed by them is being gradually scaled down.

We are considering closing four of those plants this year for economic reasons. Eventually, there will be two or three enterprises of that type in each military district, capable of doing various repair and construction jobs for the Army. Some WZRB's may also be privatized. However, that would require that the Ministry of Ownership Transformations issue executive regulations pertaining to the auxiliary enterprises of the state-owned companies.

[Grochowski] In the meantime, the Army is developing a whole range of "side activities." Is that appropriate? Especially given the fact that there are more and more cases where entrepreneurship is understood in the wrong way?

[Kuriata] The Army's side activity began in 1989, when it was allowed to provide the public with production and services, using the excess production capacity and military-controlled real estate. I have to emphasize that ventures of that type have to guarantee the return of all costs and bring a certain profit, not to mention the fact that they cannot interfere with the military units' primary tasks. The following activities have turned out to be the most profitable—the transshipment of goods, the transportation and storage of fuel, repairs of mechanical equipment, topographic services, land surveying, airport services, demolition, and the collection of reusable materials.

The revenue obtained in that way—Z380 billion last year, including Z199 billion in net profit—is earmarked to pay for the most urgent needs of the military units that cannot be fully satisfied by the meager budgetary allocations. Thus, it is an appropriate and useful activity. Therefore, I do not subscribe to the opinion that "there are more and more cases where entrepreneurship is understood in the wrong way," although I cannot exclude the possibility that single cases of wrongdoing may have occurred.

#### **Get Rid of All That Is Unnecessary**

[Grochowski] The military infrastructure is becoming decrepit, due to the lack of money. Do you know how to slow down that process?

[Kuriata] We have been concerned about that problem for many years. The crux of the matter, as you have noticed, is the underfinancing of the Army. We have the means to satisfy only 30 to 40 percent of our needs in 1993. No one can deny that the state of buildings,

equipment, power lines, water pipes, and so forth is worsening. More than 60 percent of buildings need repairs.

How are we supposed to deal with that? First, we need money. Besides, the Army needs to get rid of property that is unnecessary. It also needs to manage its resources better. As of now, there are no other solutions. A future solution may be the Army's becoming the owner of the real estate that is at its disposal. That would allow it to trade property and thus obtain the means to finance the renovation of other structures.

[Grochowski] To what extent is the Polish Army going to use the structures abandoned by the units of the Northern Group of the former Soviet Army?

[Kuriata] In general, we are not interested in taking over those structures. There is simply no need for that, given the fact that the size of our Army is being reduced. Besides, we have enough problems keeping up the barracks we already own. We would have to pay more taxes and spend more money to renovate those structures. Most of them are very run down and, as such, not very attractive to us. Another problem is their location, which does not match the Polish Army's new relocation plans. The cases in which we have taken over former Soviet property—the Swietoszw garrison, for example—are an exception.

[Grochowski] It turns out that the civilian authorities are often unable to properly manage the military real estate turned over to them not only by the Soviets but also by the Polish Army. It is easy to find empty, unused barracks.

[Kuriata] You are right. The civilian administration and the local self-government are sometimes unable to take care of the real estate they got from the Army. Most often they have only a vague idea of what to do with those structures for which they lobbied. Then various problems come to the surface, usually due to the lack of money. However, one should not make generalizations. There are bad examples and good examples.

It is worth pointing out an important issue at this juncture. According to the law, the Army has to pay many billions of zlotys in the form of fees and real estate taxes. That is nothing more than transferring funds on paper from one page of the budget to another, while, at the same time, it artificially raises defense expenditures. Apart from that, there is a need to amend the law that regulates the way the local authorities take over structures the national defense no longer needs. The law requires the Army to renovate those structures and to adapt them to the needs of the local communities. As a result, the Army runs into huge expenses. In my opinion, those structures should be unconditionally released from the Army's control.

[Grochowski] It is largely up to you or to your department whether the Polish Army will be stationed evenly



throughout the territory of the Polish Republic. What needs to be done in that regard, and what are the means to facilitate the process?

[Kuriata] We need Z6-8 trillion. Is it feasible to meet all those needs in the near future? The answer is loud and clear—No! All we can do is distribute troops most

efficiently in the existing garrisons. However, one has to point out that the new operational designs do not necessarily make the hitherto garrisons inadequate because troops can be moved to the desired areas rather easily.

[Grochowski] Thank you for the interview.

**\* Lisuch on NATO, Gabcikovo, Russia**

93CH0640B Bratislava SLOBODNY PIATOK in Slovak  
7 May 93 p 4

[Interview with Jan Lisuch, state secretary in the Ministry of Foreign Affairs, by Vlado Bibel; place and date not given: "Faith in a Stabilizing Slovakia"]

[Text] *Jan Lisuch, state secretary in the SR [Slovak Republic] Ministry of Foreign Affairs, is a career diplomat. His last position in the federal Ministry of Foreign Affairs was chief of the Asia section. From 1990 on, he was ambassador to India and four adjoining countries. After the federation's division, he joined the Slovak diplomatic service.*

[Bibel] The Slovak and the Hungarian parliaments have already approved a special agreement to present the dispute involving the Danube hydroproject to the court in The Hague. With respect to that agreement, some people believe that its conclusion is extremely important for Slovakia's international standing. Apparently you, too, as the chief negotiator, will confirm that for us?

[Lisuch] I not only can confirm it but also wish to emphasize it. Right after signing the special agreement in Brussels, we heard directly from representatives of the EC Commission how much of a positive evaluation they gave to the signing of that agreement. Many partners also expressed that view during my participation at a meeting of the UNO Economic Commission for Europe. They confirmed to me, first, that Slovakia need not fear the verdict of the International Court of Justice, second, that Slovakia has given a signal to the EC and the entire world that it is prepared to enter the European integration structures and, third, that the SR has confirmed that, in approaching international disputes, it proceeds from the principles of international law.

[Bibel] In a Czech theoretical journal on foreign affairs, the view was expressed that the North Atlantic Pact makes its promise to guarantee the immutability of the Slovak-Hungarian border contingent precisely upon the conclusion of a Slovak-Hungarian agreement on the disputed hydroproject. Have we been actually apprised of that condition, or is it mere speculation?

[Lisuch] We were given that condition by the EC, which—and this very emphatically—made the opening of talks on an association treaty contingent precisely upon the conclusion of that agreement. Those talks have now started, a second round is due in May, and I assume that, by the end of September at the latest, that so-called European agreement between the SR and the European Communities should be signed. The important thing is that the SR is receiving assurances that it will be admitted to the European structures together with the Czech Republic [CR] and within the framework of the Visegrad Four. There are no indications that Slovakia will be discriminated against.

[Bibel] That would happen only to the same extent as with other Central European countries—as we have seen in the embargo imposed on meat exports to Western Europe.

[Lisuch] Look, as long as the SR is not a full member country of the European Communities, it may unfortunately be subjected to various restrictive measures. For that very reason, we see no way other than working together with the countries of the Visegrad Four for the fastest possible admission to the EC.

[Bibel] Slovakia has already officially declared its interest in joining the North Atlantic Pact. It is known that some top leaders of the Russian army have expressed opposition to such enlargement of the NATO zone. What is the position of the Russian political leadership, and to what extent does Slovak diplomacy take account of it?

[Lisuch] When I was in Moscow to prepare for Prime Minister Meciar's trip, I informed my Russian partner, Deputy Minister Churkin, what the priorities of Slovakia's policy are and explained to him that we want to join the European integration and defense structures. His answer was that it is understandable and that Russia, too, is interested in being ultimately admitted to those structures. So there is no conflict of interest between us.

[Bibel] The only catch is that no one in Western Europe is willing to admit that Russia ought to join their structures, given the great weight of its power.

[Lisuch] Russia was different five years ago, is different now, and will be different again in five years' time. That has been demonstrated clearly. Few people gave Yeltsin a chance, and, in spite of it, he won, as did his economic reform.... I believe that that is a very good signal for the world. And the world will respond to it in some manner. Perhaps we, too, might find in this context an opportunity to benefit from triangular operations.

[Bibel] So you are not afraid of Russian opposition to our approaches toward NATO?

[Lisuch] Slovakia is a sovereign state, and the Russian leaders themselves have shown interest in NATO membership. Russia is also a member of the North Atlantic Cooperation Council. I want to point out that there have been efforts to exclude Slovakia from Central Europe and place it somewhere in the Balkans and so justify to the CR that it acted correctly when it got rid of Slovakia. Fortunately, that philosophy is very shortsighted and without foundation. On the contrary, from the signals we get, there is interest in Slovakia's becoming a stabilizing element in the region. That is at odds with views according to which Slovakia does not belong to Europe. I am convinced that Slovakia will be successful in playing that stabilizing role, the role of a crossroads between East and West. The current difficulties notwithstanding, it has the prerequisites for doing so.

[Bibel] At present, you are working on a major political treaty that will define future relations between Slovakia and Russia. Does the present Slovak diplomacy require of Russia to exculpate itself in that agreement of the Soviet intervention of 1968?

[Lisuch] Originally, we proposed a wording according to which Russia would inherit responsibility for the intervention. Russia does not agree with it because it does not want to bear responsibility for what the Soviet Union did in the past. Russia does not oppose condemnation of totalitarian misdeeds in the handling of domestic or international matters but is against being made responsible as a new state for something that it itself disagrees with. We must weigh what is advantageous for Slovakia. There is the example of the Russian-Hungarian treaty with a similar clause, which the Russian parliament failed to ratify. The CR insists on the original wording proposed by the then Czecho-Slovak President Havel, and Yeltsin, apparently in a weak moment, gave his nod to it. I, myself, believe that we should not create unnecessary complications and rather insist on wording that will condemn totalitarian practices also in international relations, but a specific condemnation of the Russian Federation as the Soviet Union's successor state for the intervention in Czechoslovakia need not be there.

[Bibel] What changes are taking place in the Foreign Ministry in connection with a new minister taking office?

[Lisuch] First, that ministry is a really young office, and that was reflected in both its structure and its operation. With the arrival of Mr. Moravcik have come rather

radical changes. We are preparing a new delineation of responsibilities between the state secretary and the head of the office, a new division into individual sections, and the assignment of special branches to the sections. New units will be formed, and the entire organizational structure of the Ministry is being changed.

[Bibel] How many people will leave or already have left the ministry as a result of those changes?

[Lisuch] Insofar as people are leaving this ministry, they are leaving for foreign duty, with the exception of the former minister and the head of his office. We have not yet filled all personnel positions. And we are not generating any political pressure for dismissals. Of course, there are replacements but no sweeping changes in filling posts.

[Bibel] What were your objections to the former organizational structure?

[Lisuch] It was cobbled together ad hoc so that the ministry could begin operating within a short time. Even though I disagree with some criticism of its work, including that raised by the prime minister, I recognize that there is much to be improved. A ministry cannot be built up in a span of three months. And then, expecting the office from one day to the next to begin working flawlessly, that is simply impossible. Now it is our objective to get this ministry working as it should—in relation to other agencies of the state administration as well as foreign diplomatic representations. It is one thing to expect every diplomat to act quickly and independently, but there are also moments when a diplomat needs clear instructions from home.

## Macedonia

### \* Former Defense Minister Views Security Threat

93BA1031A Skopje VECER in Macedonian 8-9 May 93 pp 6-7

[Interview with former Defense Minister Trajan Gocevski by Branko Geroski: "There Will Be No Classic Intervention"]

[Excerpts] After the rejection of the Vance-Owen plan for Bosnia-Herzegovina by the parliament of the self-styled Serbian Republic, judging by the reactions on the world diplomatic scene, all possible options are in play, including military intervention by the international community's forces. We asked Dr. Trajan Gocevski, a scholar at the Defense Institute and dean of the Skopje Philosophy School, as well as a former defense minister in the Macedonian government, for an assessment of the further course of events and the consequences of the newly arisen confused situation. [passage omitted]

### Macedonia Indirectly Threatened

[Geroski] How does this confused situation affect the position of Macedonia, which, as is well-known, is militarily inferior in this region, especially from the standpoint of Athens' attempt to promote a serious diplomatic initiative? What will its position really be like under the conditions of a possible further exacerbation of the situation?

[Gocevski] There are several things that define our situation. In the first place, we are likewise part of that former Yugoslavia in which there is warfare. That, however, was a country that existed for 50 years— an economic and political structure and relations in this region were created that simply cannot be changed by decrees or by changing the borders. Thus, we exist in constant communication with this region, and accordingly, everything that happens in the region of the former Yugoslavia implies certain negative phenomena for us. The more positively those problems are resolved, the better for us, and vice versa. If the crisis escalates and the military option prevails, it will also represent a direct threat to us. If a military intervention occurs that will be kept just in that region, there will not be any particular problems for us. There are estimates, however, that it could also cause new clashes that will spread not only to the area of Bosnia-Herzegovina, but also to Sandzak, and in the last few days there has also been speculation about the inclusion of Kosovo, as a fire that is smoldering. This means that it would already be in our back yard, and it will simply not be possible here to seal off the borders and communications. An additional problem for us is that the crisis in Bosnia-Herzegovina is being resolved on the basis of an ethnic principle, which is likewise unfavorable for us, and there are no dilemmas at all about this.

[Geroski] Is there any danger that Macedonia might be very directly drawn into some military conflict?

[Gocevski] I think that there is no such danger. That is my view, which perhaps someone will consider a too hasty or unprofessional assessment. I firmly maintain, however, that there simply cannot be a military intervention in Macedonia by the four neighboring countries, for different reasons that have been discussed. In this region, only the escalation and spread of the ethnic conflicts or the opening up of Kosovo's problems can mean an indirect danger of our being drawn into the conflicts, which Macedonia probably will not be able to accept, but that will not depend on it. Then the situation will already be complicated.

### \* Constitutionality of Defense Law Questioned

93BA1030A Skopje VECER in Macedonian 7 May 93 p 4

[Article by T. N.: "(Un)constitutional Authorization?"]

[Text] Two citizens from Skopje are requesting that the Macedonian Constitutional Court declare unconstitutional the legal provision of the Law on Defense by which the Minister of Defense is authorized to regulate service and other duties in the army by his own regulations.

Yesterday the Macedonian Constitutional Court ruled on the (un)constitutionality of one more law passed by the Macedonian Republic Assembly. At the request of two citizens from Skopje, yesterday's public discussion in this court was devoted to the Law on Defense, i.e., to article 46, regarding which the initiators of the process of assessing its constitutionality claim, and tried yesterday to prove, that it is not in accordance with the Macedonian Republic's constitution. They are also requesting that it be repealed, of course.

Or, in other words: the Constitutional Court, since it has already accepted the initiative and held yesterday's public discussion, will have to answer the question of whether the Macedonian Assembly can authorize the defense minister by law to regulate service and other duties in the army by his own regulations, or whether that issue can only be regulated by law, and the minister is only authorized by regulations to develop the legal provisions.

### Specific Relations

What are the initiators of the procedure for assessing constitutionality actually commenting on in the Law on Defense, and in the provision in article 46?

According to Dimitrija Atanasovski and Stamen Filipovski, the disputed provision is not in accordance with article 32 of the constitution, according to which the exercise of the rights of employees and their position are regulated by law and a collective contract, which should mean—not by regulations. According to the initiators, the disputed legal provision raises the regulations, in view of their function, to the level of having the legal force of law, in view of the subject matter to be regulated. The relations that are supposed to be governed by the

regulations are unique, not regulated in the Republic's legal system, and the permanent norms of the laws by which labor relations are regulated are inapplicable or cannot be adapted to service in the army. In that context, the initiators also expressed apprehension that the regulations, since they are not subject to broader criticism, could also include provisions contrary to the legal system and the needs of the service. "According to them, the disputed regulation also include provisions encouraging a lack of discipline and idleness...."

#### On the Other Track

Whereas the initiators, in effect, are talking in their statement about the shortcomings of the regulations, even though the subject of the discussion was whether it is or is not constitutional for the Law (on Defense) to prescribe "that service and other duties in the army be governed by regulations adopted by the minister" (as they were advised several times by the chairman of the Court), the other participants in the discussion had a completely different opinion. Both the government's representative and Dr. Biljana Cvetkovska, a professor at the Philosophy School, think that the legislator did not make a mistake by including this kind of provision in the law, especially since the Law on Administrative Bodies provides that "a minister, among other things, adopts regulations and other documents, orders, and instructions for implementation of the laws and other regulations and general acts of the Assembly and of the government's regulations, which he is authorized to do...."

#### \* Development Projects Involve Foreign Financing

93BA1040A Skopje VECER in Macedonian 8-9 May 93 pp 4-5

[Article by Vasko Eftov: "Three Hundred and Ten Plans for the World's Money"]

[Text] Talks with international financial institutions nurture hopes for a possible Macedonian New Deal. We have seven months to correct all omissions which could block the talks with global financial institutions. The Ministry of Development expects that a stabilization program will be formulated jointly with the International Monetary Fund.

The latest March bulletin of the World Bank recommends a stand-by arrangement as a suitable alternative for Macedonia.

The Ministry of Development has received 310 projects (the competition is still open) for financing with foreign loans; 133 have survived the initial elimination process.

Who should the blame the Slovenes for having rejected our suggestion of digging a tunnel under the Karavankite a few years back? Such boring projects, based on extensive mathematical computations, various designs, and projections made this proposal extremely specific: We

would start digging a tunnel on one side of the Karavankite; the Austrians would begin digging on the other side and, God willing, somewhere in the middle the "diggers" would "meet." If accidentally, for we are human and may make a mistake, the "diggers" would not meet, nothing terrible would happen; the Slovenes would have two tunnels! Obviously, the Slovenes did not listen to us and now should blame no one for the fact that at the peak of the summer seasons they are having terrible fights at border-crossings with Austria!

If nothing else, this anecdote proves our interest in digging tunnels. In any case, in the immediate future this could come in useful. In simple terms, we are being granted tunnel digging facilities to help us come out of the economic mire in which we find ourselves and have a more decent economic future. In our view, three tunnels would be adequate, naturally if their performance is precise: one each for short-term, medium-term, and long-term plans.

Nor are there dilemmas that we would like to solve with such tunnels: First, in the short term, the lifting of sanctions against Serbia or a relaxation of the consequences of such sanctions as they affect us. On this matter, we believe, there is a consensus from the ordinary citizen to the top economic and political minds in Macedonia. This consensus is so strong that we should also quickly change the content of the joke concerning the answer to our recently asked question of what is our greatest wish in life, the answer to which was for Macedonia to be internationally recognized. Since this has now become stale, we would say that its greatest wish is the lifting of the sanctions. In the medium term, it would not be bad to draft a stabilization program together with the IMF, to stabilize our situation and then, to start thinking of a possible version of a Macedonian New Deal, for the long term.

#### What Are the Expectations?

In virtually all of our economic visions we look with both our eyes wide open at what we could expect as a support or, to put it better, as a catalyst for our economic activities provided by international financial institutions. Normally, to be honest, we expect to extract from these institutions as many dollars as possible, for without such a monetary injection nothing good could happen to us. Somewhere in the middle between this "financial dependency" of ours and the strong electoral declarations such as "Macedonia can do," we find the clear recommendation issued by the chief economist of the International Monetary Fund, the familiar Larry Summers, addressed to all Eastern European countries: Expect ideas from us, but not money! Simply put, there is a large number of countries that have requested loans from the Fund, while the amount of money has remained limited.

Recently and for the first time, Macedonia was visited by an IMF delegation; about a month ago it was visited by a delegation from the World Bank. For the time being,



they are testing the water. We are still in some kind of phase of discussions and, it is hoped, at some point during the third and fourth quarter of the year, talks will be started. Still, if we could trust the unofficial statements of our representatives in these talks, the talks have become more specific, which is normal, for the time is approaching when both the Fund and the Bank will open their cash registers to Macedonia as well. Furthermore, last year Macedonia was granted membership in the European Bank. This is an indication of progress.

The question now is different: What, how much, and when could we expect any assistance from those institutions. In any case, our wish is that in the course of the discussions with the Fund, which is the first ring in the entire chain that would trigger an entire series of subsequent financial arrangements, for us to be treated like a low-income country. In itself this would yield a number of benefits such as, for instance, obtaining loans at minimal interest rates, repayable within five to 10 years. Unfortunately, according to Dr. Mihail Petkovski, professor at the Economics Department in Skopje, the latest March bulletin of the World Bank, which operates in conjunction with the Fund, recommends, as desirable for Macedonia, a financial arrangement of the stand-by type. Such arrangements, which the Fund has practiced since 1952, are quite specific: The Fund approves a certain amount of funds on the basis of an existing program drafted by the country requesting the loan; this program is to be implemented within 15 to 18 months. Loans repayable within three to five years carry market interest rates and are issued in parts and the country is issued specific conditions to be met in order to qualify for the next share.

If we are successful in passing the Fund test, the Bank enters the stage with its own loans for restructuring the economy and increasing efficiency. The Bank operates on the basis of a proposition, unlike the Fund which insists on bringing order to the requesting country, above all by eliminating unnecessary steps. We are familiar with its insistence on limiting bank credits and increasing budget income, while, at the same time, reducing budget expenditures, and so on.

The situation concerning the European Bank is entirely different. Any country asking for a loan from that institution must meet three general conditions: to have a market economy, a parliamentary democracy, and private property. Although we could perhaps "boast" about having a market economy and a parliamentary democracy, this is the second year running that we are "twisting" privatization around with the help of various trade union, chamber of commerce, and assembly obstructions. Yet without this we cannot obtain credits from the European Bank, as was clearly stressed by its President Jacques Atali, several months ago, during his trip to Macedonia. Not to mention the fact that the loans granted by that bank bear an interest which is three to four percent higher than the rate charged by the IMF and the World Bank. In a recent interview granted to the London *ECONOMIST*, the well-known Geoffrey Sax

described the European Bank as a minor financial player who has done a great deal more to enhance the rating of Eastern Europe. Nonetheless, the Slovenes are soon to obtain about \$200 million from the European Bank and should we obtain even a like amount we would be ecstatic.

### Two Groups of Plans

The way things are now, it is very likely that our cooperation with the Fund would start next year. The most likely step would be that we would jointly draft a stabilization program which would replace the implementation of the macroeconomic programs which have been applied in our country for two years now. Such, at least, are the thoughts of the Ministry of Development.

The Ministry of Development is also drafting a list of projects which we would submit to the World Bank. So far, about 310 projects have been received, according to Spase Lazarevski, deputy minister of development. We expect, however, that the list would be extended with projects for the development of tourism, and ecology, and plans drafted by private entrepreneurs, currently not included in the list. The first sifting of the projects has taken place and out of the 310, 133 projects have reached the second phase, classified into two groups.

The first phase consists of 109 projects totaling \$295 million (this would include funds from domestic sources). It would be a question above all of small projects aimed at exports that would fill some needs or, briefly, projects that would yield revenue and make a fast monetary turnover possible. This group would be dominated by projects for the development of the agrarian sector and the chemical, inert materials, and construction materials industries.

A second group of projects exists, which is the result of the changed philosophy of the Ministry of Development and which followed our difficulties caused by the sanctions. Thus, the idea of concentrating in the next period exclusively on minor projects, replaced by projects involving development and specific infrastructural investments. This group includes 24 projects which would require some \$620 million, including the building of hydraulic power plants, gasification, road reconstruction, laying the East-West railroad tracks, which would consume the highest share of the money—\$355 million—and some investments in air transportation and the postal service, the traffic along the Vardar Valley, and so on.

This means a planned concentration of investment activities, although many economists believe that it is not advisable to neglect the sectorial principle. A large number of countries have set priorities for the development of individual sectors for which they believe they could be most successful on the world market, the more so since in our country greater attention should be paid to the sectorial principle. According to Dr. Zlatka Popovska, from the Economic Department in Skopje, by 1997 our propulsion sectors, those that should also set

the pace for the development of the Macedonian economy, will become obsolete. However, the state was severely burned by the results of heavy investments in the past, for which reason it is being very cautious now.

### Correcting Omissions

Even if it wants to, the state cannot ignore the type of credit-investment activities that we must carry out. Naturally, its role will change greatly: Instead of its present role that ended in being the conduit for the loans without having any clear idea concerning their use, in the future the use of the loans, at least in the case of enterprises of special social interest, may be made conditional on obtaining a certain packet of shares, or providing a variety of customs and tax benefits, lowering transportation costs, and so on. Therefore, we could expect a greater presence of the state on this level, particularly considering that loans can be obtained from the IMF only if they are guaranteed by the state and that, being classified as an area of risk, we could not expect any loans from private banks without the guarantee of the state (the same principle was applied in obtaining the loans granted by Soros). Let us indicate at this point the key issue which we would have to face in obtaining credit from international institutions: The state owes such institutions about \$440 million (as a result of having assumed the debts incurred by "Feni" [metallurgical combine at Kavadarci], Strezevo, etc.), and the fact that our banks cannot be a more significant source in the world money markets.

In the next several months we must go beyond simply agreeing with the banks. On the contrary, the representatives of the IMF bombarded our representatives with questions: Why do we have no control over wages; why are there weaknesses in monetary policy; how was it possible that within a single month a budget of 885 billion [denars] leap to about 1,550 billion; why have we not developed the legal system in the economic area, and many other "petty" matters. We must resolve such issues very rapidly if we want to obtain the money.

In any case, the presence of the Fund and the banks, if nothing else, by which we mean any more specific financial aid, will act as a specific economic-political force that will drill into our heated political heads the fact that we must proceed on the basis of a sensible economic policy that must be implemented and not, as we have been doing so far, submit a program whenever we feel like it, and reject it, again whenever we wish.

### \* Salaries, Cost of Living, Investment Strategy

93BA1032C Skopje NOVA MAKEDONIJA in  
Macedonian 10 May 93 p 2

[Article by V. Cvetkovska: "No One Invests Any Longer"]

[Text] *In the first quarter of the year, individual consumption rose by a factor of 10; public consumption by a factor of 11; living costs increased by a factor of 14 compared to*

*the same period of last year. Public consumption will remain an obligation of public companies. It is only noneconomic enterprises that are part of the disinvestment area.*

The deadly race between wages and the cost of living is not stopping. The fluctuating supremacy of uncontrolled growth, one month of wages and another of consumption, has had as its epilogue, for quite some time, not only inflation, which is the only steady winner, but also a decline in the living standard. Despite the fact that worker salaries were officially no longer restricted, which means that neither was individual consumption, the apparent victory of salaries by the end of the first quarter of this year, along with the overall public consumption in the state, were the biggest losers.

If we trace wages paid during the first quarter of 1993, we could see an increase of a factor of 10 compared to last year's quarter. During the same period, public consumption nominally increased by a factor of 11. Both types of consumption fell behind the cost of living increase which almost reached a factor of 14.

### Increased Costs

The fact that the race was lost is confirmed by the data provided by the Public Accounting Service of Macedonia, according to which a total of 90.9 billion denars went for salaries in March, or 20 billion more than in February, or an increase of 28.3 percent compared to an increased cost of living of 8.3 percent. This proves that during that period individual consumption rose rapidly, exclusively due to the lifting of limits on individual income. Naturally, if we ignore the fact that the biggest block to salaries is the financial weakness of the enterprises themselves, this means that, nonetheless, wages went up and were paid exclusively by companies with cash at their disposal.

If, on the other hand, we take into consideration the temporarily dominant incentive to work and merely earn a salary and nothing else, we understand the reason why salaries in the economy have been growing at a faster rate compared to the noneconomic sector and public activities. In March, compared to February, the economy allocated some 15 billion denars more for salaries compared to noneconomic entities that spent about five billion denars less. However, in this race of converting most of the earnings into personal consumption, more than 4,300 companies in the Republic failed to participate. This means that nearly 50,000 employed people remained in the group of enterprises that were irregular in paying salaries, for lack of funds. This mainly applies to private companies, which pay their personnel most irregularly, but also public firms that account for most (almost 90 percent) of employed people who were not paid for their labor on time.

On the other hand, the total income for financing public consumption in the first quarter of the year reached 286.8 billion denars. Nominally this is higher by a factor of 11 compared to the same quarter of last year. About

half of all public consumption was financed out of taxes and wage contributions, which is a manifestation of the greatest possible lack of logic, bearing in mind that it was precisely the participation of these factors that dropped from 54.5 to 51 percent during that quarter. The state collects more revenue from the income tax. However, revenue has declined from the commercial tax, and customs and other fees. Such as they are, both public consumption and wages constitute a tremendous burden to the economy, for they account to an even greater extent for the overall cost of enterprises, along with interest rates and insurance costs, which rose by more than five percent between January and March compared to the same period of last year.

Nothing has changed in that public consumption is borne by the public companies. These companies accounted for 40 percent in financing public consumption, compared to only eight percent by the private companies.

#### Survival Investments

The lack of financial discipline affects investments that have declined by 40 percent this quarter. A total of 21.9 billion denars were invested in capital assets, making them nominally higher by a factor of 8.6 compared to last year. In real terms, however, considering the increased cost of living, the amount of such investments has declined considerably.

What is most worrisome is the greatest decline of investment precisely in economic activities compared to what is invested in trade, 3.2 billion denars, and in transportation and communications, 2.8 billion denars. Industry and ore mining invested 2.6 billion denars in capital assets. This is only quadruple compared to the same period last year and was mainly invested in the production of hydraulic power, 1.7 billion.

And while the economy is struggling to invest funds to revive production, investments in noneconomic activities more than doubled, so that in March alone administrative authorities and the National Bank invested 6.2 billion denars.

Major investments were noted in education and culture, mainly because of investments in capital assets for the School of Medicine, totaling 1.9 billion denars. Almost the same amount of investments was made by interested units in material production and housing-communal activities, which had invested significantly more in previous years.

Skopje is the city in which most of the funds were invested, accounting for 88 percent of total investments. Other major investments were made in Tetovo, Veles, Gostivar, and Kocani.

#### Chemical Industry Affected by Sanctions

93BA1033C Skopje NOVA MAKEDONIJA in  
Macedonian 22 Apr 93 p 2

[Report by F.J.: "Total Blocking of the Chemical Industry"]

[Text] *The chemical industry association of the Macedonian Chamber of Commerce feels that UN Resolutions 757, 787, and 820 will leave chemical enterprises and companies without raw and other materials. Factories and enterprises such as Ohis, Ading, Jaka-80, Lihmida, Politeks, and 30 Juli operate at between 30 and 50 percent capacity, workers are given mandatory leave, and the number of shifts has been reduced.*

The lack and the delayed arrival of raw and other materials to the chemical industry enterprises in Macedonia, caused by the implementation of the UN Security Council Resolutions 757 and 787 on the blockade of the Federal Republic of Yugoslavia (Serbia and Montenegro) last year and the first three months of this year have caused severe harm and losses to the Macedonian economy, specifically to the processing and basic chemical industry enterprises. The capacities in the processing sector have been reduced by 30 to 50 percent, workers are being given mandatory leave with 80 percent of their salaries. Such is the situation at Ohis, Ading, Poliplast, Lihmida, and others. In the first three months of this year, output at the 30 Juli factor in Kumanovo dropped by 41 percent; it dropped by 47 percent at Ading in Skopje, 34 percent at Ohis in the processing of plastic goods, 67 percent at Jaka-80 in Radovis, and 39 percent in Alkaloid. With the latest UN Resolution 820 for total blockade of the Federal Republic of Yugoslavia, which is to be enacted on 26 April, speakers at yesterday's meeting of the Assembly of Associations of the Chemical Industry of the Macedonian Chamber of Commerce claimed, the situation will worsen even further, for this resolution erects an unbreachable wall in acquiring raw and other materials hauled by rail from the north or via the Danube River. The damages caused are tremendous and irreplaceable, and the losses are equally high. Bypass ways through Bulgaria, Russia, and Romania increase the operational costs of enterprises and lengthen delivery times. The price of the goods produced is increased and they become noncompetitive on the global market.

According to Vojo Karanfilovski, deputy director of Ohis and chairman of the group, last year Ohis applied for more than 200 permits for transit shipments of raw and other materials to the UN office but obtained only seven; with the latest measures, the situation has worsened even further, for the strictness of the sanctions has increased. All shipments of raw and other materials have dried out, for which reason a number of companies and enterprises are on the verge of bankruptcy. Vladimir Rjabosanko, deputy chairman of the Macedonian Chamber of Commerce, believes that UN Resolution 820 on imposing a total blockade of the Federal Republic of Yugoslavia will cause tremendous losses and harm to

the Macedonian economy, for it commits all countries to stop all means of transportation, by rail or truck, across Serbia. Financial services, river and maritime transport, and others are prohibited. In practical terms, this means the total stop of transportation facilities and the harm caused by such steps is tremendous not only to the chemical industry but to other economic sectors as well. The first to suffer will be Ohis and Alkaloid, followed by Jaka-80, the Veles chemical enterprise, Lihnida, 30 Juli, Ading, and others.

As the statement stresses, the chemical industry enterprises are facing major problems caused by the high interest rates on loans issued by the commercial banks of 24-26 percent monthly. The discount rate as well has been increased from 390 to 790 percent, starting with the first months of this year, and a number of companies are on the verge of bankruptcy. This applies to Vinka and Triko in Vinica, and others. The commercial banks that have been reorganized into corporations have become usurious organizations, and for each mark they lend they collect four marks, naturally converted into denars. In the business world in other countries, the maximum profit a mark can yield is 1.4 marks. The banks are getting richer without any effort while impoverishing the economy and closing down companies and enterprises. They are helped by the old regulations of former Yugoslavia that have not been amended.

At yesterday's session, the chemical industry entrepreneurs expressed serious remarks addressed to the respective ministry and the Macedonian Government for failure to draft a law on customs tariffs and procedures and submit it to the Macedonian Assembly. The law on customs duties that was submitted recently cannot be applied without additional acts and other regulations. The private companies are importing all sorts of goods, particularly textiles and chemicals, and are benefiting from omissions in the regulations; they do not pay customs fees and engage in disloyal competition against the public sector.

The chemical industry association called for the immediate adoption of economic laws, especially laws on foreign exchange and the banking system, customs tariffs and interests, and laws on taxes, so that enterprises and companies may be able to work under normal and customary economic management conditions. They asked the Macedonian Assembly to deal more extensively with problems of vital interests to the working people rather than with peripheral issues and problems.

#### **Agricultural Sector Affected by Sanctions**

93BA1033D Skopje VECER in Macedonian 12 May 93  
p 8

[Report by J. Pavlovski: "A Hailstorm of Penalties!"]

[Text] UN Security Council Resolution 820, which calls for the total economic isolation of the Federal Republic of Yugoslavia, will, as viewed by Macedonian economic

managers, have a very negative influence on the Macedonian economy and, within the same framework, on the Macedonian agroindustry. This was noted at yesterday's meeting of the executive council of the Association of Farming and Food Industry of the Macedonian Chamber of Commerce. The conclusion was that if military operations in Bosnia-Herzegovina are not stopped and the resolution revoked, the situation will be very difficult.

The most difficult situation will be that of early truck gardening. This sector is being intensively developed and the funds invested in the heating of 260 hectares under glass will not only not be recovered but there is a danger that some of the produce will have to be discarded, for hauling it to other countries through circuitous roads is not only expensive but there is a shortage of transportation facilities as well. Therefore, this raises the question of marketing 25,000 metric tons of early truck gardening products worth about \$25 million.

But this is not all. The question is also raised of marketing abroad 15,000 tons of rice worth \$13 million, followed by about 5,000 tons of vegetables, worth \$5 million; and, by the canning industry, 10,000 tons of finished goods worth \$15 million, followed by frozen vegetables and fruits. There is no market for 10,000 freight cars of wine worth \$15 million, 10,000 tons of confectionery goods worth \$10 million, 5,000 tons of goods produced by the milling and baking industry worth \$2.3 million, and 500,000 hectoliters of hard liquor worth about \$5 million.

This clearly indicates that we are not suffering from a shortage of goods but from the fact that the agreed upon amounts with our foreign partners cannot be marketed because the Yugoslav transportation corridor, after the steps taken by the UN Security Council, is blocked, and exceptions are allowed only with a special approval and only for specific food products and humanitarian aid.

The consequences will be even worse in terms of the continuing development of the work process in the processing industry, for what is prohibited is the import of packaging materials, mainly from Serbia, and somewhat less from Slovenia via Serbia for, as we know, virtually all such items came from those markets. That is precisely why the processing industry will find itself in a very unenviable situation. Meanwhile, losses will be experienced also in basic production, for a great deal of mineral fertilizers, plant protection chemicals, and other processing materials came from the former Yugoslav republics, and as much as 70 percent from Serbia. In this case alone the estimated loss will be about \$15 million.

According to the statements of about one-third of the bigger producers and processors of farm goods, losses from unrealized exports of finished goods by Macedonia to the former Yugoslav republics, as well as their marketing through circuitous ways, will exceed \$100 million. The director of the Blagoj Tjorev butter factory in Titov Veles stressed that his enterprise will lose \$2.5 million from nonrealized exports. Losses to Agroplod in Resen



will amount to about \$1.7 million; Skovin in Skopje will lose \$1.4 million; Zito-Vardar, \$1.6 million; the Tikves AK [Agricultural Combine] in Kazadarci, about \$13.64 million (for lack of possibility to sell its wine); the Vardar ZK [Agricultural Cooperative] in Gradsko, \$1.1 million; the Lozar AK in Bitola, \$3.875 million; Zito Luks in Skopje, some \$11 million; Makedonija Plod in Resen, \$300,000; the Kumanovo ZIK [Agroindustrial Combine], more than \$2.5 million; and the Bitola yeast and alcohol factory, about \$1 million. The losers include Evropa, in Skopje, losing about \$1.6 million; Makedonija, in Negotino, more than \$1.6 million; Agrom, in Skopje, \$15.3 million; Biljana, in Ohrid, \$1.85 million; Vitaminka, in Prilep, about \$1 million; Lozar, in Titov Veles, \$4.5 million; Jugotutun, in Sveti Nikole, more than \$2.5 million; Mosa Pijade, in Kocani, about \$3 million; Bregalnica ZIK, in Vinica, more than \$3 million; Kocansko Pole in Kocani, about \$11.5 million; Izvorski-Gradina, in Bogdanci, \$6.2 million; Anska Reka, in Valandovo, more than \$1.7 million; and the winery in Stip, more than \$2.35 million.

This is only a partial list of the organizations that will suffer indirect and direct losses as a result of UN Security Council Resolution 820. The economic managers say that losses in that area of the economy will be even worse, for they would lead to a loss of the steady markets, while the opening and development of new markets is both difficult and expensive.

#### \* Problems With Macedonian Pension System

93BA1033A Skopje NOVA MAKEDONIJA in  
Macedonian 29 Apr 93 p 3

[Article by E. Kamberova: "Pensions Based on Federal Censuses"]

[Text] *In Macedonia 72 pensioners receive pensions above the highest amount based on general Republic regulations. This applies to the bearers of the Partisan Medal 41, and veterans who are holders of People's Hero and Spanish Civil War orders. In the absence of proper legal regulations, the amount of their pensions has not been limited.*

Of the 197,700 pensioners in the Republic, the highest number—106,501—do not receive pensions exceeding 120,000 denars. This means that their pensions are below the Republic minimum wage of 134,000 denars. A total of 58,369 pensioners receive pensions ranging from 120,000 to 180,000 denars. Because of the 32,830 pensioners whose pensions exceed 180,000 denars, it is frequently thought that these pensions are high in terms of wages. The one accurate thing is that currently, on an average, and considering all the hardships, the one advantage of the pensions is that they are a more secure source of income compared to that of employed individuals who are paid their wages with much greater delays than are the pensioners.

Particularly noted are pensions that considerably exceed 180,000 denars, the lowest amount in the highest pension bracket. The highest pension in the Republic, paid last March, based on the general regulations, i.e., the Law on Pensions and Disability Insurance and the amount contributed, was 560,060 denars. Pensions in such amounts are paid to 203 pensioners. The highest pension, based on general regulations, which will be paid this month, will total 691,205 denars.

In Macedonia 72 pensioners receive pensions higher than the limit based on the general regulations, i.e., in excess of 560,060 denars. Of those, 21 pensioners receive pensions ranging between 560,060 and 600,000 denars; 16 individuals receive pensions ranging from 600,001 to 650,000 denars; nine pensioners receive as much as 700,000 denars; eight other individuals receive pensions as high as 750,000 denars. Nine pensioners receive between 750,001 and 800,000 denars. Two pensioners receive from 900,000 to 1 million denars, while another two receive as much as 1.1 million denars. Last March, only one pensioner in the Republic received between 1.1 million and 1.2 million denars.

#### Determination of Amounts

All of these 72 pensioners are veterans, and their pensions are based on three laws of the former SFRY:

Law on the Basic Rights of the Bearers of the Partisan Medal 1941; Law on Basic Rights of Individuals Awarded the Order of People's Hero; and the Law on the Basic Rights of Veterans of the Spanish National Liberation and Revolutionary War of 1936-39. For the time being, the level of their pensions in the Republic has not been restricted, for which reasons the monthly computation of their pensions is based on federal rules. Until December 1989 these categories of veterans received, in addition to their pension based on seniority and contributions from personal income, pension supplements. Until that date their pensions, along with the supplements, could not exceed the amount of the highest personal income of a member of the SFRY Presidency. This means that there was a limit to the increase in their pensions. Since the end of that year, according to a regulation issued by the then Federal Secretariat for Labor, Health, Veterans Affairs, and Social Policy, these restrictions were lifted. The Republic funds were notified of this decision made by the secretariat, Vele Veleviski, head of the Center for Automated Processing of Data of the Fund for Pensions and Disability Insurance, explained. Since that time, payments to this category of pensioners has been based on the set amounts, in accordance with the resolution on coordinating pensions based on general regulations. In the absence of new legal regulations that would include the payment of the pensions to such pensioners, the Macedonian constitutional law followed the federal regulations.

#### State Commitments

We do not know as yet what stipulations will be included in the new law on pensions and disability insurance.



According to some views expressed by officials of the Ministry of Labor and Social Policy, the pensions of the bearers of the Partisan Medal 41 and those awarded the Order of People's Hero and veterans of the Spanish Civil War will be limited in accordance with certain parameters.

According to people familiar with this problem, the state must establish supplements to the pensions of such pensioners, based on its ability to pay, and assume the obligation to do so. The supplements remain a commitment assumed by the Republic budget. However, the Republic does not supply the fund with adequate amounts and the state is unable to pay regularly and in full, so that the fund is forced to procure the funds from sources outside its authority.

### **Substandard Goods Increasing Due to Gray Economy**

93BA1033B Skopje NOVA MAKEDONIJA in  
Macedonian 10 May 93 p 3

[Report by S. Kiridzievska: "Food on the Sidewalks"]

[Text] *A drastic decline in the standard and reduced purchasing power have led to the opening of street markets. Resellers take over all available space.*

The drastic decline of standards and the reduced purchasing power of the citizens are the main reasons for the growing expansion of the gray economy. Resellers have come closer to the customers and commerce has taken to the streets. Consumers do not have to look for the goods for the goods come to them. Actually, anywhere in the world it is a usual picture to see improvised stores on wheels. However, nowhere else in the world are goods being sold on the public markets or around them, along the roadways, sidewalks, and even under trees. The conditions for such trade are regulated by law, which means a commitment to observing basic hygiene, health, protective, and weather stipulations. Laxity in observing such regulations has made it possible for resellers to take over all available space where improvised counters may be set up.

All cities in our country are already beginning to look like disorderly marketplaces. A variety of goods are sold: food products (meat, meat products, butter, margarine, sugar, salt, coffee, vegetables, soups, canned goods), alcoholic and nonalcoholic beverages, sanitary goods, textiles and ready-made clothing, stockings, cigarettes, school supplies, items made of various metals, toys, durable goods, and minor household appliances.

For the time being, the sidewalk trade is better supplied than are the regular stores. Supplies for such markets come from neighboring countries (Serbia, Bulgaria, Greece, Albania, Turkey, and Russia); the prices are half or less than half the prices charged in regular stores; the quality is questionable and, in some cases, substandard. The customers purchase such items at their own risk. Based on the type of demand, the quasi-traders buy out

the stores of their colleagues in other countries, stuffed with second-rate, third-rate, or unrated goods.... The merchants at home are pleased for they escape paying taxes to the state. Some of them become wealthy overnight.

Meanwhile, the regular commercial system is burdened by heavy taxes, regularly paying its turnover tax twice monthly. Meanwhile, with the help of discounts, some of which as high as 50 percent, and interest-free sales on credit, it tries to lure back the customers. As long as this situation prevails, the stores cannot compete with the illegal competition.

Compared to the euphoria created by the sidewalk trade, public trade is displaying serious symptoms of excessive fatigue. Unable to defeat the enemy, some stores sell a portion of their goods outside the stores. They load improvised stands with goods that are either sold at advertisement prices (less expensive) or else had already been earmarked for sales. While some food items are still unavailable, real gardens of fruits and vegetables appear in front of the stores. Although most of the goods are of the easily spoiled variety and the violation of basic hygiene stipulations threatens the health of the population, the impression is that no one is bothered by the fact of buying items literally picked off the street. Let us also note that the authorities issue retail trade permits to stands that claim to be stores. This is based on the Law on Independent Activities With Personal Labor of 1989 and the stipulations of the law as to what constitutes a store. Thus, for example, in Skopje alone, last year about 400 of the 2,360 retail trade store permits were issued to stands classified as stores. Despite all prohibitions, the stands are popular and the impression is that no one shops in regular stores.

### **\* Corps Commander at Recruit Induction Ceremony**

93BA1030B Skopje NOVA MAKEDONIJA in  
Macedonian 10 May 93 p 2

[Article by A. M., V. T., I. S., and P. T.: "Formal Oaths of the New Class of Soldiers"]

[Text] In the presence of a large number of Strumica residents and relatives and friends from the entire republic, the youngest soldiers from the 11 October barracks in Strumica swore their formal oaths today. On behalf of the ARM [Army of the Republic of Macedonia], the soldiers from the April enlistment were congratulated on their oath by the commander of the First Army Corps, Colonel Janakije Manasiev, and by Kostadin Manolev, chairman of the municipal assembly, on behalf of Strumica and the people of Strumica.

At the Cede Filipovski Dame barracks in Kicevo, in the presence of numerous guests, the formal oath was sworn by the young soldiers from the April class who are performing their military service at the ARM's Kicevo barracks. Those in attendance were cordially welcomed

by Assembly chairman Ilija Kitanoski, and by Lt. Colonel Blagoja Galovski, commander of the Kicevo barracks.

At the barracks in Tetovo, the young military recruits swore their formal oath in the presence of a large number of relatives, friends, and other guests. The ceremony organized for this occasion was opened by the barracks commander, Lt. Colonel Ilija Nikolovski, and Col. Boris Stojanovski from the Third Army Corps talked about the young ARM soldiers' upcoming tasks. Chairman Sacir Aliti congratulated the young soldiers on behalf of the Tetevo municipal assembly.

A ceremony was also held at the Alekso Demnievski-Bauman barracks in Titov Veles, at which the young soldiers from the fifth generation promised that they would defend the territorial integrity, independence, and autonomy of the Republic of Macedonia.

#### \* Antihail Rockets, Weather Radar System

93BA1032A Skopje VECER in Macedonian 7 May 93 p 7

[Article by Bogomil D. Konstantinov: "Rockets Sufficient for a Case of Bad Weather!"]

[Text] *Currently, with the start of the season, the hail prevention system has sufficient rockets only for a single major storm, for not one rocket has been purchased in recent years. There is a shortage of about 4,000 rockets required for efficient protection. In order to cover the entire territory of the Republic with radar, we need radar equipment for the radar fire center (for townships in eastern Macedonia). The problem of the launchers, whose monthly wages are 20,000 denars, remains unresolved!*

According to Stefan Stefanov, head of the Center for Antihail Defense at the Republic Hydrometeorological Institute of Macedonia in Skopje, the condition of the hail-protection system in the Republic of Macedonia is worse than catastrophic. Over the past three years, the 313 antihail stations in our state have launched about 5,000 antihail rockets in the struggle against hail-bearing cumulus-nimbus clouds. The center purchased 1,200 rockets in 1991 and not a single one this year or last.

According to international standards, on an average, a station must be equipped with 40 to 50 rockets. Currently, availability averages 7-14 rockets per station, which would be launched at hail-bearing clouds only during more severe storms. For that reason, the Republic will remain without hail protection, lacking rockets or defense systems, according to Stefanov.

In order to develop an efficient rocket defense system against hail and protect agricultural production, the Republic needs another 4,000 antihail rockets. At current prices, they would cost about \$540,000. About 5,000 rockets provide efficient protection for 647,640 hectares of cultivated land per hail season which lasts from 15 April to 15 October.

In the past, the system for protection from hail, which is an element of bad weather, used antihail rockets provided by the other Yugoslav republics and rockets produced by Teas-Temko in Skopje. The quality of the rockets was good and they were effective for a distance of about 8,000 meters.

#### Radar Centers and Equipment

From the point of view of radar systems, currently the territory of the Republic of Macedonia is covered by the radar centers in Tjuriste and Topolcani; the radar center in Pozar is expecting modern radar equipment. The Tjuriste radar center is equipped with the American meteorological observation radar VSP74, high range, with two wavelengths, serviced by 16 people, five of whom are trained meteorologists. This center covers a network of 78 antihail stations deployed in the Skopje, Kumanovo, Sveti Nikole, Titov Veles, Stip, Kratovo, and Kriva Palanka townships. The antihail rocket defense system protects an area of 226,171 hectares.

The Topolcani radar center is equipped with the Russian long-range MRL5 Russian radar, which also has two wavelengths and is also of very good quality. It is manned by 14 people. This radar covers a network of 57 antihail stations deployed in the Prilep, Bitola, Demir Hisar, and Krusevo townships. This center is responsible for the antihail defense of Pelagonija and protects an agricultural area of 161,781 hectares.

The Pozar radar center uses the older model 3MK7 radar which was installed in the 1950's and has a range of 40 and 50 kilometers. This is a lower sensitivity radar serviced by 11 people. It covers 81 antihail stations deployed in Kavadarci, Negotino, Gevgelija, Valandovo, Strumica, Radovis, and Stip. It protects a surface of 113,858 hectares.

The radar centers in Pretor and Polog have been closed down because of the obsolescence of their radar systems and lack of spare parts. Their area is covered by the Tjuriste and Topolcani centers. A modern digital operation radar costs about \$600,000.

#### Problem: Money and Personnel

The Macedonian state appropriates 0.1 percent of the gross national budget for antihail protection. Whether this is too much or too little is a matter of opinion of experts in finances and agricultural production. As a basic bad weather element, hail appears when it is expected the least, and could destroy the entire annual production in an instant, wherever it happens to fall.

It is of interest that about 40 countries throughout the world, ranging from the large countries of United States and Russia, to small ones, including the Republic of Macedonia, have organized their antihail defense. Bearing in mind the importance of this defense system, the Macedonian government should undertake, as soon as possible, to resolve problems in that area unless it wishes to leave the crops at the mercy of the weather.

Considering the present salary paid to the personnel (20,000 denars monthly) interest in such a "profession" which requires both knowledge and daring, is low.

Those responsible for the functioning of the antihail system, which is in a state of financial collapse, believe that the answers lie in the urgent purchasing of the necessary rockets, updating technical facilities, such as radars, radio stations, relays, and launching ramps, and the training of a larger number of launch personnel and professional cadres.

[Box, p 7]

#### **How the Rockets Protect**

Frozen crystals can be created in very cold fog or cloud, with the help of three agents which greatly reduce the air temperature (as low as -40 degrees Centigrade) or agents which trigger the formation of frozen crystals, produced through crystallized water vapor. The first agent (carbon dioxide) cools and the second (silver iodide) crystallizes.

These agents, thrown at a cloud in small amounts, have the property of creating a huge number of frozen crystals

which prevent the formation of hail. Thus, 200 grams of carbon dioxide scattered inside a cloud with the help of a rocket, according to Soviet scientists, convert into crystals a cloud carrying about 1,000 tons of water.

[Box, p 7]

#### **Warning for May**

The fact that hail is possible in May was confirmed in May 1990. The hail defense system that month was active for nine days, on May 6, 8, 9, 10, 18, 19, 22, 26, and 27. At that time 282 rockets were launched.

On 9 May 1990 the system was used in Radovis, Strumica, Valandovo, Negotino, Prilep, Bitola, Resen, and Ohrid. Twenty-two antihail stations were activated and launched 79 antihail rockets. Some hail hit the villages Lipovitj (Radovis), Kukurecani, and Bucin (Bitola) and Rilevo (Prilep). Fine hail fell on Barakovo (Prilep).

Is it possible that the bad weather of three years ago would bypass Macedonia this May simply because we have no rockets?

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